

Q2 2019 Earnings Call

Company Participants

- Ant nio Carlos V lez Braga, General Manager of IR
- Daniel Faria Costa, Chief Officer for Managements & Member of Executive Board
- Maur cio Fernandes Leonardo, Chief Institutional Relations, Communication Officer, Finance & IR and Member of Executive Board
- Paulo Eduardo Pereira Guimar es, Head of Corporate Finance
- Ronalde Xavier Moreira, Tariffs Manager
- Unidentified Speaker, Unknown

Other Participants

- Andre Sampaio, Research Analyst
- Marcelo Britto, Director
- Miguel F. Rodrigues, Equity Analyst
- Unidentified Participant, Analyst

Presentation

Ant nio Carlos V lez Braga

Good morning, to you all. I'm Ant nio, the Superintendent of Investors Relations of Cemig. We'll begin the transmission of the teleconference and webcast of the First Quarter (sic) (first half) of 2019. Maur cio Fernandes Leonardo; Director of Cemig, Daniel Faria Costa; Leonardo George Magalhaes, the Superintendent and Manager of the Finance -- Corporate Finances; Paulo Eduardo Guimar es; and the Superintendent of Planning Operations, Ronalde Xavier. Transmission can be followed by telephone, he is given the telephone number. And also through the site, <http://ri.cemig.com.br>.

For initial remarks, we'll pass the floor to the Investments, Maur cio Fernandes.

Maur cio Fernandes Leonardo

Good morning, to you all. Thank you very much for -- to take some of the time to follow Cemig.

Once again, we have had solid results, going beyond the goal of the expected -- the market expectations. And as we had with you, it was not only the issue of an action of PIS, Pasep, the ICMS of the calculation of these taxes. But also the result -- operational -- solid operational result of Cemig GT.

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So in the presentation, you see the ICMS. We're going to go into greater detail into this issue. But also, there was -- we have told you that Cemig D has consulted a consultancy to look at the structure of international architecture. In the first stage of the work, only the first part was concluded. But it has already resulted in a reduction of 25% of commissions management.

It is important to say, in the first Cemig, we have the president and the directors; and in the second level, the superintendents; and the third with the managers. And of these that we're talking about 25% reduction, which is significant. In the next quarters, we are going to see the impact among other expenses. But it was not only because of this, it was because of improvement of the management process.

Also, we want to highlight the debt. Cemig Distribution at the end of the quarter, it had assets of BRL 5 billion and the average cost of the debt was 146% CDI and BRL 25 billion, BRL 3 billion. Now at the beginning of July, they were reprofiled. That is the series incentivized a value of BRL 1.5 billion over the 7-year period and purchase of five years. Average cost of this debt is about 180% (sic) (108.61%) CDI. There was a significant reduction. A recognition of the market with regard to the performance of Cemig and also the risk -- a very different risk. Also the impact of this, we will see in the next quarters. Looking at the portfolio of the debt, this is just (up-front) of what we are doing. But when we present results to you.

We also improved the presentation today, a strong growth of the operational cash flow of the company, which is not an issue of actions of ICMS. The company, which is really a completely different structure. Also, I must highlight the new auction of renewable energy, which will happen in the next month -- in the next days will have within the strategy of the sales, faith -- keeping the customers faithful. As we know, Cemig, the sales part is the biggest in Brazil. And also the investment -- I won't get into greater detail now. The Director Daniel will do this.

In the next page, in ICMS. In summary, National went court case in 2008. And Cemig asked to go back 10 years, that is 1998. In March, it was finally decided there are no further appeals possible. They have already appealed. And the (retro) -- and it was over -- back (for) years, 2003. Also in 2008, when Cemig went into the court case, they asked to deposit in court the "corresponding values." This was done between 2008 and 2011 because during this period Cemig distributed -- we have 1 million -- in Cemig GT BRL 190 million. The Cemig has already asked for relief. We have in the next -- and this should be paid out. This shows that the action is now BRL 7.335 billion (sic) BRL 7.325 billion, of which BRL 4.130 billion Cemig didn't recognize, that could be returned to customers. It's not yet been done. There is an understanding that it could be over three years beginning now from May 2019, in fact, our understanding over five years and over 10 years. Cemig has always, in a conservative way, recognized the value over 10 years. So the BRL 4.130 billion, taxes numbers BRL 4.110 billion. As a result Cemig, BRL 310 million (sic) (BRL 317 million), Cemig H, BRL 1.227 billion and Distribution, BRL 423 million in Cemig GT and also in the other investors a residual amount total of BRL 1.984 billion. This number we will see later in the presentation.

On the next page, about the debenture issue. We have already said this to you. BRL 3.660 billion. But highlighting that you can see here the graph on the left, the debt of the -- before and what it looked like, an average period of 13-point years (sic) (2.9 years), is now 5.1 years. This will provide the company much more flexibility in the cash flow -- in its cash flow.

On the next page, the renewable supply auction to buy renewable supply, we've set in a bit more detail.

And now let's pass the floor to Daniel to talk about the investment plan and then I'll come back before we get into the numbers.

Daniel Faria Costa {BIO 20562390 <GO>}

Good morning. Thank you for the opportunity. The Light shares go through Disinvestment program, we did the exit of the first stage, that is, Cemig sold 33 million shares, approximately 30% of what we had. And what happened in July and which assured value of BRL 1.8, approximately value necessary, the turnaround of Light. Now we have a period of lookup, we're going to monitor and support the plan for -- in the company and program a future exit for Light. We'll take advantage and talk about the Disinvestment program as a whole. I'd say it continues its focus on anticipate payments of debts to the company and also in the possibility of selling assets that didn't bring the expected return, which are tying up the capital of the company. Renova, we continue the process of restructuring as announced 21st of March and 9th of April. In fact, continues the process of following the -- to bring about the sale to (AES). Also, there has been a restructuring of the holding with a banking system. And the (society front) is being executed according to the conditions. It's important here that in the balance, in the second semester, Cemig did provisioning of BRL 700 million conservatively given the time that has run for the restructuring of Renova. So conservatively, we did a provisioning of BRL 678 million (sic) (BRL 688 million).

Now continuing focused on the sale of Santo Antônio. A complex sale become more complex now with the request, the Chapter 11 of one of the partners, the process of renewal -- confirmation of renewal of 30 years of the concession, which will allow us to continue with the sales plan through an IPO next year and the other assets, we continue to follow and seeking opportunities.

On the next page, we have the investment plan. And on top of the improvement of the economic and financial conditions of Cemig, the Board has approved and supplementing that it adds BRL 1.2 billion to the investment program of Cemig Distribution. We must remember that this is the result of a present -- a recovery of the company that began way back in 2017. It's not something that happened now. It's a process that has been happening, that is discipline for management, improvement of the governance and the performance of the company.

That is, in this picture, you can see until 2023 almost BRL 10 billion investments. Remembering that last year, when we the -- of Cemig Distribution, Cemig managed

complete coverage. That is, its investments were fully considered when tariff revisioned. This is a context where we have to understand the new -- that -- moment that Cemig is living.

From the moment in the past when they needed to recover its debt, today we see a company that was at 147% and now 28% CDI, a significant part of its debt. A company which in the past had problems of liquidity, today the company which has a situation of liquidity completely solved to the point of reviewing the investment plan, dividends policy, at the same time with conditions of anticipating payments of its debts.

On the next page, it's important also to remember that it could be even further better if Cemig GT has BRL 450 million of credit in the chamber of sale of electricity. This we expect that the next month solving the issue of the hydrological risk that Cemig GT will receive these resources, it will be even better for the cash flow of the company.

Daniel was talking about the provisioning for Renova we've talked about. And also this quarter, the (inaudible) equivalent will also -- has improved. Equity income is positive.

Now I pass on to my colleagues, who will get into the results of the Second Quarter.

Unidentified Speaker

On Page #10, the market -- Cemig Distribution in the second half of 2019 -- the Second Quarter, rather, compared to the same period of the previous with a variation of 0.20% negative. When we look at the open -- the billed market and transmission, we see that it raised 0.8%. And the sales to the final consumers is 0.9% in the same comparison in the quarter. When we look at the billed market, industrial dropped 0.4%; commercial 0.4% -- is rising 2.2%; rural dropping a bit; and others and distributors having a growth of consumption.

When we observe the evolution in the semester in the half, we see growth because of the growth that we had in the First Quarter, rural consumers and final consumers was 1.9%. And then we saw the -- all the classes -- those Renova classes.

With regard to the GT market, we had a reduction of 9.2% because of the energy that was -- CCEE has not sold. We had income that we saw, as (inaudible) has already said, it doesn't come in here EBITDA, this kind of customer and (the contraction) in June with a drop of 2.2%. The table shows that the economy has not yet to give signs of improvement. The economy has not started to improve. In spite of this, Cemig Distribution has an improvement and gains. That is, the message I can give to you is that, as the economy recovers and this is a scenario, the company has a potential to leverage the results -- a very good chance for recovery. So when we look at the -- we see -- (I'm sorry, I can't hear him.) We see that our income had remained the same or had a small reduction. In Cemig GT, there was a reduction because they sell CCEE because of this.

On Page 13, we have the first semester -- first half. And we see the increase in all the Cemig Distribution and GT in comparison with August local adjustment, excluding the

ICMS tax and fiscal things 5 point -- distribution 15.20% in Cemig GT.

I'll ask Ronalde to say a bit about the slide of operating costs.

Ronalde Xavier Moreira

Good morning, to you all. We can compare the costs of the first half of 2018 and now the first semester -- half of 2019. The most important when we open highlight is to show the evolution of the quarter and against another quarter, the Second Quarter of 2018 and the Second Quarter of 2019. PMSO is the item which is manageable, where we work with the decision of the company. The PMSO reduced 4.38%. Remembering, we're talking of current. But it was greater than this. During this period, we had 3.3% of PPA, for example. So we -- or IPCA index, reducing BRL 38 million, coming from the program of dismissal -- voluntary dismissal. And we had some compensation of personnel, an increase of outsourced services. We're talking of the consolidated, not all the companies.

Then we also had a reduction of BRL 43 million, half of them came from another form of classification of values of rent. The other items are BRL 105 million but comes from the result of a -- much better than what was expected from the previous year. For this reason, we highlight it. So it's a good sign. This is the -- profit for the employees' provisions, as already been mentioned, of BRL 735 million, BRL 48 million of Renova. And the other items here, depreciation, investments that we see in the period. Then the energy and purchase of energy are smaller, which reflects coming back to the norms of income, the income of distribution reducing the income. In fact, it's not the distribution but of purchase of energy, which is good news that we had a tariff here which was lower in the purchase of energy and the profitability of the company and then the evaluation of gas BRL 37 million and construction cost BRL 63 million, which is the other part of the same amount.

Now let's go to the next slide. When we look at PMSO. And then the highlight was to compare the Second Quarter of 2018, the Second Quarter. If you're looking at the period, even in historical numbers, we saw the reduction of PMSO of 4.38%, already commented in the previous slide. And also personnel, which is a quite manageable cost, which had a reduction of 10.60%. Here, remembering, we should consider 3%. So higher than the reduction -- greater than this presented here.

What do we attribute this reduction of PMSO, especially personnel? The situation -- the investments we're going to receive more effect of other reductions of superintendents, managers that has already -- some already happened during the periods analyzed. But it will be much greater if there has never been restructuring of this size in the company -- in the history of Cemig. But we had done also a great change in the number of counselors and assistants aids, which is reflected here besides the voluntary retiring program, which has already been mentioned. PMSO, we also have underway, already commented several times with you, of the program of operational efficiency in the company.

So in the last initiative that we have already taken to the Board, which are underway, we have a review of the fleets, both of GT and D. We're talking about 50 vehicles and heavy

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vehicles, trucks, which were done a statistical study of the use of the needs. So with either being returned to the rental or put on sale. Aircraft has already been sold successfully, almost BRL 8 million, just the sale of the aircraft, which we're going to do optimization and the effect on operational.

Other examples of sharing of structures, which we intend to comment -- increase the income a lot from this. We took to the Board the purchase of energy, all the installations of Cemig more than 300 consumption points. We're going to -- the traditional points with conventional captive energy. And we're going to sell it directly ourselves. We're going to do contracts for free energy of GT for these installations. We'll save a few million reais with this. And other initiatives already commented with you, fighting off the bad payers and negotiation, which is underway and several processes that we're digitalizing or improving the processes with the use of energies -- smartphones. That will mean that we do the process much cheaper, more efficient and faster for the consumers for the finalization of all that works. This is the comment I have to make of -- in general.

On Slide 16, we present the OpEx and EBITDA. The actual -- what was actually done in the first half of 2019. The regulatory OpEx of this period, it has added BRL 1.438 billion, including at the end how much we actually get, we had BRL 1.427 billion. That is -- that goal -- the commitment of the company to operational -- the costs that are now put on our tariffs was a change in the data and the records here of the first half of 2019.

How did we manage this? We have a breakdown of the cost. The main -- the most efficient item that we can work on was sales was BRL 324 million to its most (effect). We got the other points, which we don't have regulations. But which was negative, which is less than what we need, which is PDVP, fines, provisioning and default. We have a rate that -- but -- BRL 54 million (sic) (BRL 64 million) is not yet covered. But which is being worked on very hard. We are almost 10 initiatives to face up to this problem and improve the default. But the news is that we indicated the difference of BRL 11 million is a difference for the first time presented here, which is positive within the regulatory OpEx.

On the part -- the lower part, EBITDA, we have a comparison of the regulatory EBITDA. We get to BRL 1.083 billion. And we transformed separating the Pasep-Cofins tax, BRL 830 million, we got to BRL 913 million. So also, this is a challenge to fit in where we're going to work, especially the issue of technical losses, which the investment that Dr. Mauricio just mentioned, of BRL 2.3 billion will contribute significantly in the renewal of the distribution network of the non-technical losses, which we're working on at the moment

And the other part, which -- of EBITDA, which is the BRL 121 million profit shares is a consequence of the result. So it is consumed from the EBITDA, we're interpreting it in this way. But it is also good news that it is a participation because of the projection of the final results of the company.

This is the transparency of the company, shows you the EBITDA and to tell you that we're working on each of these fronts, as Ronalde said, not just with our own strengths. But also necessary bringing consultants to support us, to help the incorporation of best practices in the market for each of these aspects that we are still fitting in. For each one of them in

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the next quarters, you will hear from us results and highlighting that mixed economy company, the coverage of time is below what is considered. This is just the beginning.

Now passing to Slide 17. We have EBITDA in the Second Quarter of this year. The consolidated Cemig, it went from BRL 1.061 billion, a growth of 20.16%. When we compare what was actually reported, that is excluding the ICMS ruling and the provisioning for Renova, we still have more than 100% increase, getting to an EBITDA of more than BRL 1.8 billion. In distribution, the same thing, a growth of 9.41% with the same comparison basis and including -- and if you put in ICMS and a growth of more than 200%, getting to an EBITDA of BRL 1.200 billion. And generation and distribution, we had BRL 563 million, a growth of 23%. When we take away the ICMS and the provisioning of Renova was greater than the ICMS and more than we're going to achieve from ICMS, the imported had a reduction of 34.57%.

On the next slide, Slide 18, we have the accumulated. In the half -- first half in the consolidated, we had a growth of EBITDA of 33.44%. When we make the adjustments to compare and the other comparables, we see that the consolidated EBITDA got to BRL 2.5 billion with more than 33% growth. When in distribution, EBITDA had BRL 913 million, 32% growth compared with more than 152% growth.

In the case of generation, we had a growth of almost 54%, 1.5 -- almost BRL 1.5 billion. And making the adjustments, they reported BRL 1 billion with a growth of 53% -- 26%.

On Page 19. In the Second Quarter, significant number, the consolidated and distribution and Cemig GT. In the case of the consolidated, a profit of BRL 819 million compared with the -- we had a loss in the last year.

When we look at the reported growth, much greater, getting to profit of over -- just the profit. In distribution, we had a growth of BRL 112 million to BRL 150 million. While going back to the adjustment of ICMS, we had a growth of more than 1,100%. In distribution, it's very significant. Distribution reported a profit in the Second Quarter of BRL 1.379 billion. GT also had a recurrent profit of BRL 591 million, which as we said previously. And reported was BRL 342 million.

On Page 20, we have the comparison in the quarter. In the first half, we got to BRL 1.984 billion and a growth of almost 255% in comparison with the same period in 2018. That, in fact, reported with the adjustments, was more than BRL 2.9 billion. Now the profit when we adjust, it comes to 340%. In any of the cases what was reported 180% and the adjusted 91%.

As we commented, better operations, the reduction of the debt and Cemig GT, it's the same adjusted, had a growth of 1,600% in the period. Remembering, we had the consolidation helps in the first half. And it shouldn't be so strong the second half because of the seasonal nature of the business. However, the reported net profit was very strong, BRL 926 million and improved a bit.

I'll pass the floor to the Superintendent Corporate, Paulo Eduardo, to talk about debt of the company.

Paulo Eduardo Pereira Guimarães

Thank you. Good morning, to you all. Talking about the debt of Cemig consolidated, it's important to say our commitment to reduce it to lengthen the debt. You can see that the debt of consolidated Cemig, it -- we did in this period a demonstration of BRL 800 million reducing, in fact, the size of the debt.

The cost of the debt has also reduced over the years, leveraged and reduced, as you can see in the graph on page -- of the slide, with the debt we contracted after the end of the Second Quarter, which was the Cemig Distribution.

Since we're substituting a more expensive debt to a more cheaper debt, it will reduce further. We also associate the reduction of the SELIC rate, which happened recently, dropped a bit. There were some cuts in the next months. This is a reduction -- effective reduction of our debt. We showed the schedule of how -- the schedule of -- with the debt that was contracted and refinanced soon after the end. It's more perceptible when we deal with the debt of Cemig D and so on.

Going then to Page 22, talking about Cemig GT. We also had BRL 320 million, highlight that, the relevant commitment of the maturation date is 2024, when bonuses mature. The commitment in the next years are very comfortable in terms of debt and which allows us to take advantage of the liquidity to -- in the next years take an advantage -- any opportunity to make liability management. We then get to 2023 with the -- so we take advantage to do the treatment of this debt. And we'll have time for that.

The breakdown of the Cemig GT, the dollar component doesn't -- is not a worry for us since we have a head, which gives us -- hedging, which gives us the necessary protection. So this is what I'd like to highlight. Also GT, we have reduction of the cost, a reduction of the leverage.

Now you can see that in the Cemig D, situation is much more comfortable. December 2017, we -- besides the capital of the company, we negotiated with the main creditor banks, which allowed us to take away the -- issuing short-term CTD, lengthening the debt. That was a significant issue. And it consolidates now with this new reprofiling.

As Dr. Mauricio presented, we did -- the issuing of debentures reduced the cost of our debt. But also extended further the debt. You can see comparing the 2 graphs that the commitments don't go beyond -- in the next years, which gives us comfort to reconciling the challenges both in Cemig D in investments and adapting the -- so the situation of the debt is much more comfortable, Cemig consolidated D and GT without great financial commitment over the coming years, which allows us to do the management of the debt in a very prudent way in the next years and keeping the credit.

So the conclusion, opening up for you -- for questions. Once again, I'd like to thank you for the trust that you've given us, the bondholders, the shareholders who have followed and supported us in the process beginning way back in 2017. So the management of the company, all the executives, management discipline each quarter we have had, been pleased to report to you the company has advanced fast to get back to the condition they believe it's -- as a reference in the market. Thank you very much, once again.

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Questions And Answers

A - Unidentified Speaker

We'll begin the questions and answers. (Operator Instructions) Andre Sampaio from Santander would like to ask a question.

Q - Andre Sampaio {BIO 19422379 <GO>}

I'd like to ask 2 questions. The first question is more an update. If you could tell us a bit about what are the next steps and some comments, first, to have an update. And the second question, could you explain better -- tell us a bit more about the IPO?

A - Unidentified Speaker

Andre, first, with regards to negotiation, it's not in our domain. It's possible from what was -- we were told that the government works -- any proposal of sending to the legislative something about negotiation with the federal government. So the administration of Cemig, we don't know. And it's precisely because of this, that we're vocal on the efficiency of the company and our message is it's up to the governor to the assembly -- legislative assembly whether they disinvest or not. The other question of Gasmig, Dr. Daniel will tell you.

A - Daniel Faria Costa {BIO 20562390 <GO>}

Andre, thank you for the question. What I mentioned was that, in fact, the idea of Gasmig in 2023, way back in 2014, we extended this concession. It depended on an investment of a gas piping -- gas. It didn't come about because the main consumer at that time, which was Petrobras, didn't make the investment in the triangular region. The state asked us in June 2018 about disinvestment or not. It was confirmed it would not happen. So the mechanism that was used was the rebalance of the concession. So getting to a final agreement that will allow to validate and maintain the concession for Gasmig for the distribution of gas in the state of Minas Gerais until 2052. With this, we continue with the investment planned with -- it could be via an IPO that would make possible since as long as authorized by the legislative assembly complete Cemig leaving it. If there isn't authorization from the legislative assembly, obviously, we would study a partial offering about the assets of Gasmig, that is, let's consolidate the first stage, then evaluating market opportunities, we continue the process of exit from Gasmig. That's it.

Q - Andre Sampaio {BIO 19422379 <GO>}

Thank you for your answer. I'd just like to -- about the balance.

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A - Unidentified Speaker

Cemig published about this. The rebalance of rentals paying an amount that was evaluated by the state confirmed in -- by Gasmig. That is the financial compensation that the conceding power has to agree with this extension for 20 years. This value is calculated BRL 852 million valued from June. And it's important the -- just remember, the concession is more than 30 years -- 20 -- 2020 -- '53. So this value to be paid for the rebalance of the concession, obviously, is within the negotiated conditions. It incorporates to the base of -- baseline of the tariff. There will be a small adjustment to be able to compensate this additional value that the concessionaire is paying.

Marcelo Britto would like to ask a question.

Q - Marcelo Britto {BIO 15393330 <GO>}

I have a question with regard to the fiscal themes in generator and in holding of this amount that was recognized here, BRL 200 million, referring to the holding and generation. How do you incorporate this credit, knowing there is a discussion that is not classified on the distributor? Because it depends of ANEEL deciding for the consumer, the generator and the holding. That would even be a right of the company. It depends how this can be done. What's your expectation about this -- receiving this? The other question is with regard to the write-off of Renova BRL 400 million. I'd like to understand that if the (offset on 3) occurs. Those are my questions.

A - Unidentified Speaker

Marcelo, the ICMS fiscal things and GT, it is important to say that this is 2003, four years of Cemig and GT. We owe 5 of -- out -- (after they bought, maximum bought), of a possible return with payback -- with reimbursement to customers, a price negotiated with a customer and then we will not want any kind of reimbursement without the criteria that to be paid in this way. In the case of Cemig GT, it does not apply the question (inaudible) of the repayment back to the consumers.

How do we receive the commit to the -- cash of the company? In the case of Cemig GT, we have BRL 200 million initially, which is BRL 40 million these values to the National Treasury. Cemig GT, we can -- we have asked then they should receive this amount. As Dr. Mauricio says in another one of his answers, favorable, we can get this money. The BRL 250 million, we could debit from income due to the compensation over the next years. We believe that the next 2, three years, we'll be able to compensate this in Cemig GT.

In the case of Cemig H, the credit, we're studying how you would receive this -- talking about gas either with a precatory note or the transfer to Cemig GT and then do the compensation of the credits in a fiduciary. We know that these credits, one way or the other, are clearly the right of the company. And we're only studying the best way of receiving over the next years.

As was commented, part of the value to return to the customers, there's some returns. But it's a max of 10 years, we should define these criteria and also the final compensation will

be done, not payment of taxes over the next years, restituting monthly the values coming into our cash.

With regard to Renova, Daniel will make the comments.

A - Daniel Faria Costa {BIO 20562390 <GO>}

Thank you. Marcelo, Renova, it's a very complex situation. For more than one year, we have struggled to improve the situation of the company, save the company, in fact. The BRL 680 million, as you mentioned, are related to contracts of non-delivered and intercompany Cemig and Renova. The sale of the park is part of the restructuring of Renova. But it comes to relieve the company of debts, the main one BNDES of BRL 1 billion, which has affected Renova's balance. But the Alto Sertão III. But also the debts, they're related, the company will be lighter and will draw up the debt with its shareholders as it's been proven in March paid over six years, compatible with the resources of dividends and the other assets, which are there in the company in the Renova Holding.

Once we build up this debt with the intercompany credits, where the company is stabilized, obviously, we can reevaluate this provisioning, which was of 100% of the total of our credits. It will depend a great deal, obviously, of the conclusion of the reduction of the plan of recovery and stabilization -- financial stabilization of Renova. But we take advantage of this good moment -- this good result to be able to make provisioning of 100% of credit so to reinforce our balance and minimize the risk of possible future default. I believe that in a short time, we'll be able to come back to this depending of the stabilization we manage in Renova.

Q - Marcelo Britto {BIO 15393330 <GO>}

That's clear. Would you allow me one more question, please? Another theme you said. A picture showing renewable energy, they did some purchase in 2018. I want to understand how -- what's your strategy for some risks because I believe the -- when you bought this energy, how you can resell this energy with a -- but it's a very long contract, it begins to deliver in 2020, '22, 20-year contract. And probably, you too have not sold the final part to the consumer in the free market. My doubt is, will there be an alteration in the electrical structure? We're expecting this. Obviously, you're not going to have the price that you have now. How does the company try to mitigate the risks? The seller contracts are a longer period because if the benefit ends or the contracts that are already signed, the consumer -- when the contract ends, then you would sell it at the normal market price. Then you also bought the energy of 2018. I'd like to understand if you already sold this to the final consumer and the amount?

A - Unidentified Speaker

Well Marcelo, in this, we mitigate a lot of it, as you said, because the market is very big. So we have this advantage because we have many customers, we can diversify these contracts. But at the end of the day, the main message that -- is that the price that we're buying at this energy, it's a price which is attractive for resale to industrial -- conventional industrial consumers. That's the most important. Obviously, the margin is much bigger.

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But in the end, as you said, the benefit of incentive ends, he will become a conventional free customer. And even for him, just remembering that this free customer of conventional, he has a number of characteristics that also have a cost, even if Cemig can administer an aggregate value.

So with regard to the contracts, which are already being signed, the deliveries beginning in 2020, '23, we're already selling this energy. I would say, in the shorter periods, the energy is more allocated. But it's not completely allocated. These contracts normally, with these customers, they have about -- contracts is 3 to five years. You don't usually have contracts longer than five years with this kind of customer.

Let's just confirm the understanding, of say, well, the benefit is linked to the PPA, for example, 3 to five years, beginning in 2022, a contract sold to 2027; beginning 2027 when the contract ends. If the government change the benefits, you would have to sell it at the normal price, at market price, without the premium, right? I have to check, because I believe that it might be the case, the customer -- I don't know how it would work, if this distributed, the benefit is over in 25 years. I'd have to confirm that benefit ends when the contract ends or if the consumer has a longer period. I have to -- I'll try to get that information for you.

Miguel Rodrigues has a question.

Q - Miguel F. Rodrigues {BIO 16533007 <GO>}

I would like to go back to clarify how the payment of income tax. It's a high income tax. But we're not sure of the options and periods of access to credit. Second point. The Gasmig contract, what is missing for the final conditions to be approved? Do you have a date for this conclusion? Two clarifications, please.

A - Unidentified Speaker

Miguel, let me talk about the last issue, which is Gasmig. It's yet being finalized with the conceding power, should be signed a new addition in September. And as soon as the payment is made with the authorizing powers, Cemig is validated. It's already confirmed the extension of the concession to 2053. It should happen in September.

With regards to the income tax or the tributes which we record in the Second Quarter, slide 4, you see the total price is BRL 978 million. So if we can fund some credits that could be compensate. So that if decided to avoid any risk related to the tax payments, to do the payment of the taxes immediately. This tax has already been paid, as we commented, to avoid any issues with regard to different understanding of the income to the taxes related to this.

(Carlos) would like to ask a question. Could you repeat the name?

Q - Unidentified Participant

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(Carlos Chischoff). I'd like a clarification of the value calculated for restitution of the PIS, Cofins tax of the ICMS for back, let's say, 2003. Considering the average of invoicing annually, you can find that the value that is calculated or estimated yet doesn't have the adjustments of the table of a monetary correction. Could you confirm it's already this? Or is it something compared to the money that was -- the values that were collected monthly, how -- understand better how this works? And also with regard to this, if there is a readjustment, what's the percentage of the total amount over this current debt of Cemig? How much does it represent the restitution over the current debt of Cemig?

A - Unidentified Speaker

(Carlos), with regards to the calculation of audited by outside auditors who analyze the company. And what we did was, in each invoicing that occurred since 2003, these amounts are updated by Cemig since then, all the amounts of BRL 7 billion, which we -- are on Slide four of the presentation, showing the consolidated amounts in the group until now. They will be updating by -- they're already being updated.

With regards to the amount of this, compared to our debt, it was commented the net debt is BRL 12.4 billion -- I'm sorry, EBITDA is about BRL 2 billion. It's a -- being more or less the comparison, the effect of the profits is BRL 2 billion. And net of the taxes compared to the debt to date of BRL 12.4 billion.

Q - Unidentified Participant

I didn't understand when it was audited, updated.

A - Unidentified Speaker

It's updated by Cemig. This BRL 7 billion is the amount of the main, as principal. And the update until the 30th of June.

Q - Unidentified Participant

Of total restitution.

A - Unidentified Speaker

Yes. That's right. BRL 7 billion.

(Operator Instructions)

We end the -- Dr. Maurício Fernandes for his final remarks.

A - Maurício Fernandes Leonardo

Thank you, to you all. Thank you for the questions you asked. And soon, we hope to report another solid quarterly result and if we have any communications to the markets, relevant facts and you please continue feeling free to contact us area of relations with investors. It's very important to have your feedback. Good day. Goodbye.

A - Unidentified Speaker

With that, the Second Quarter of Cemig is concluded. Thank you for your participation. Have a good day.

(Statements in English on this transcript were spoken by an interpreter present on the live call.)

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