



**CEMIG**

**Successful Strategy**  
Business Portfolio Ensures Results



## DISCLAIMER

Some statements in this presentation are forward-looking statements within the meaning of the US Securities Acts and are subject to risks and uncertainties. Forward looking statements are forecasts that may differ from the final numbers and are not under our control. For a discussion of the risks and uncertainties as they relate to the Company, please refer to our Form 20F of 2007, and in particular Item 3, containing “Basic Information – Risk Factors”.

All figures are in BR GAAP.

# Brazilian GDP growth is driven by domestic market



## Economics

- Largest Latin America economy
- 10th largest world economy
- GDP (2008): US\$ 1.24trillion (+5.1%)<sup>(1)</sup>
- Flow of Trade (2008): US\$ 371 bn <sup>(1)</sup>
- Inhabitants: 191 million
- Area: 8.5 million km<sup>2</sup>
- EPE estimates 2009 GDP growth: 2% <sup>(2)</sup>
- EPE estimates 2010-2014 GDP growth: 4% <sup>(2)</sup>



Brazil

Investment Grade  
(S&P and Fitch)

## Economic Development Acceleration Plan (PAC)

- Federal plan to invest US\$ 250 bn in the period of 2007-2010
- Power Generation: US\$ 35 bn
- Power Transmission: US\$ 7 bn
- Renewable Fuel projects<sup>(2)</sup>: US\$ 9 bn

**Source:** Brazilian Institute for Geography and Statistics (IBGE), Brazilian Electricity Regulator (ANEEL), Brazilian Association of Transmission Companies (ABRATTEE), Energy Research Company EPE.

<sup>(1)</sup>As of December 31, 2008

<sup>(2)</sup> EPE: Fed. Govt. Company for Electricity Planning



# Brazilian Electric Power Industry to catch up with growth

## Power Generation

- Installed Capacity: 102 GW
- 77% Hydro; 11% Natural Gas; 5% Oil; 4% Biomass <sup>(2)</sup>; 2% Nuclear; 1% Coal
- Key Projects: Hydro
  - Belo Monte Power Plant
  - Tapajós River Power Plants

**Industry Total Revenue (2007): US\$61 Billion**

**Source:** Brazilian Institute for Geography and Statistics (IBGE), Brazilian Electricity Regulator (ANEEL), Brazilian Association of Transmission Companies (ABRATEE), Energy Research Company EPE.

(1) As of December 31, 2008

(2) Ethanol, Biodiesel and Ethanol pipeline

## Power Transmission

- National Network: 101,858 km
- Peak demand in 2007: 62.7 GWh/h
- Key Projects:
  - Interconnection between sub-systems

## Electricity Distribution

- Energy Consumption: 376,905 GWh
- 46% industries and 24% householders
- 99% penetration countrywide
- More than 50% of South America
- Peak demand comparable to UK



## Minas Gerais: The business environment to nurse great companies

- Investor-friendly attitude
- Foreign investment welcomed
- High ethical standards
- Private investment preference to finance economic development
- Private investor supported by the State to secure infrastructure investment



## Efficiency: Cemig's competitive edge

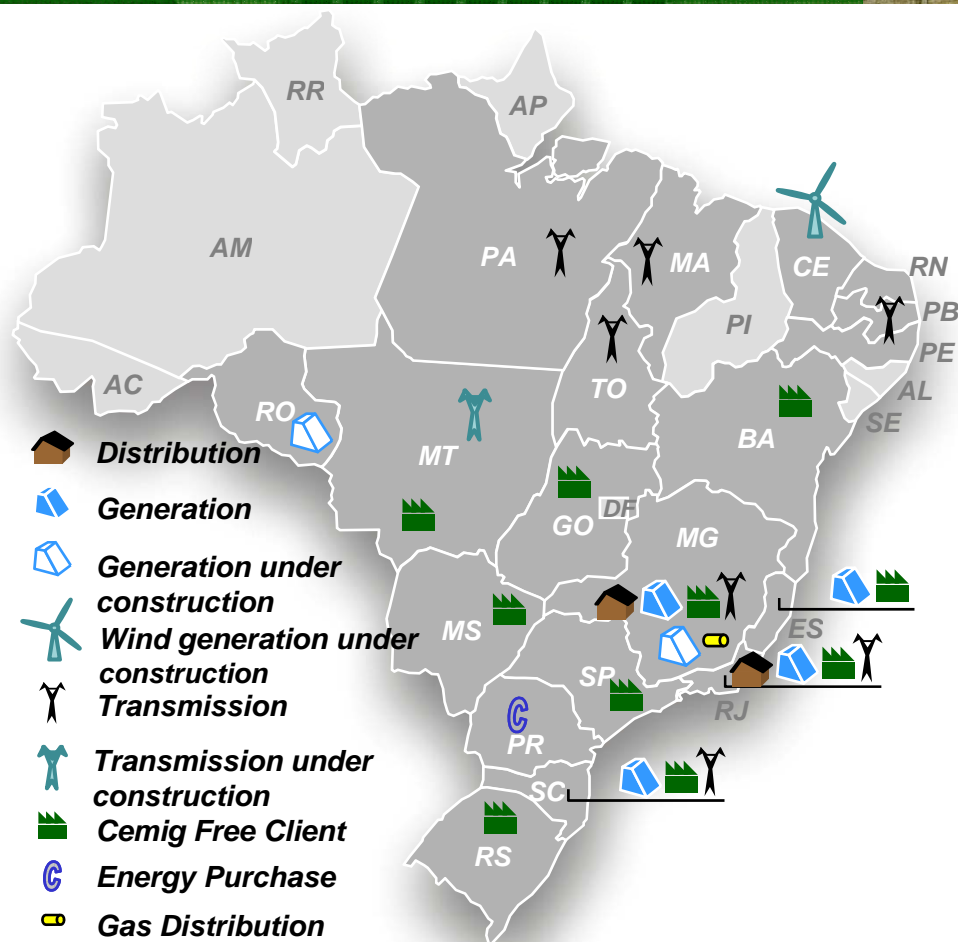
- Ability to invest outside the State of Minas Gerais
- Successful acquisitions story
- Skills to negotiate contracts with clients leads to higher profitability
- Operational excellence allows for adequate balance between service quality and profitability
- Pursuit of the Long Term Strategic Plan goals:
  - ✓ High credit quality
  - ✓ Fast growth with strong investment discipline
  - ✓ Dividend policy based on strong cash generation

# Cemig focuses on sustainable strategic expansion in growing Brazilian and international energy markets

## Power Industry

- Largest electricity distributor (transport)
- Fourth largest power generation group
- Third largest power transmission group

**Largest Integrated utility**



# Low risk business portfolio to ensure proper return: most of revenues are inflation protected



## Power Generation

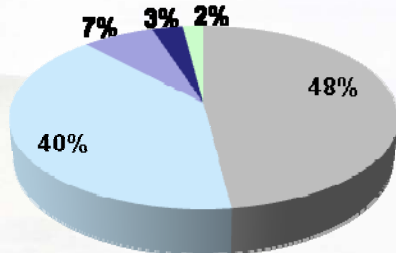
- 14 companies: **7 % of Brazilian market share**
- Sales Volume 33,567 GWh
- Gross Revenue: R\$ 3.42 billion
- EBIDTA: R\$1.87 billion
- Net income: R\$ 993 million

## Power Transmission

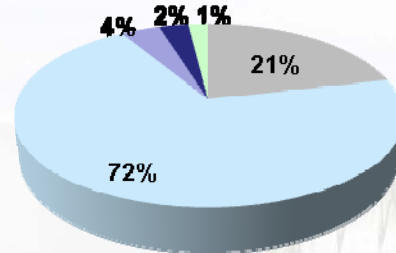
- 12 companies: **6 % of Brazilian market share**
- Gross Revenue: R\$ 612 million
- Net Income: R\$ 145 million
- EBITDA: R\$ 277 million

## Cemig Corporate Totals – 2008

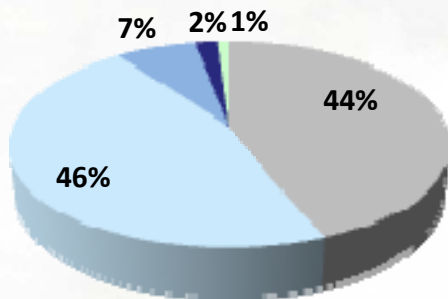
### Net Income



### Gross Revenue



### Ebitda



## Electricity Distribution

- 2 companies: **12% of Brazilian market share**
- Sales Volume: 26,831 GWh
- Gross Revenue: R\$ 12.09 billion
  - 87% captive market
  - 13% grid usage (free consumers)
- EBITDA: R\$ 1.93 billion
- Net income: R\$ 838 million

## Gas Distribution

- 1 company: **4 % of Brazilian market share**
- Sixth largest in Brazil
- Sales Volume: 865 million m3
- Gross Revenue: R\$ 385 million
- EBITDA: R\$ 50 million
- Net income: R\$ 47 million

## Others

- 6 companies
- Gross Revenue: R\$ 135 million
- EBITDA: R\$ 84 million
- Net income: R\$ 56 million

## Holding Co.

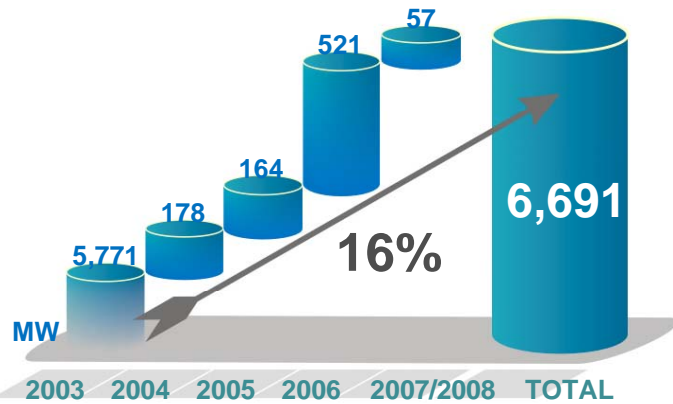
- Gross Revenue: R\$ 272 thousand
- EBITDA: (R\$ 118) million
- Net income: (R\$ 189) million

**Our long term goal is to have 20% market share in all power markets**

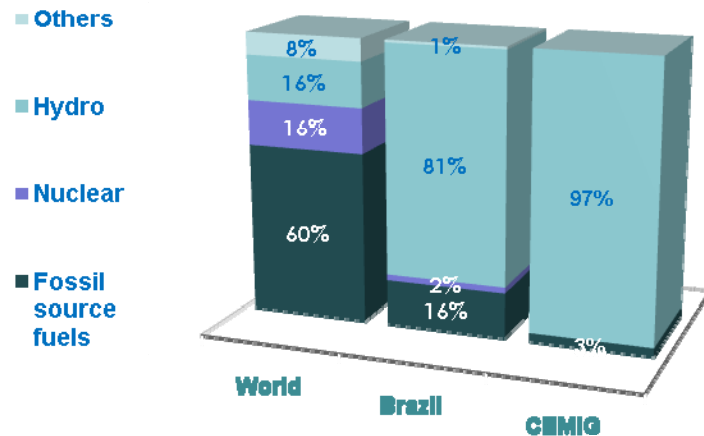


# Cemig's revenue grew over 50% from 2003-2008

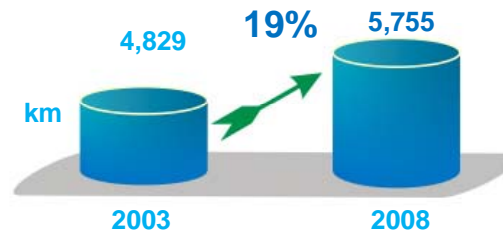
## Power Generation Capacity



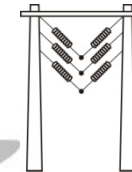
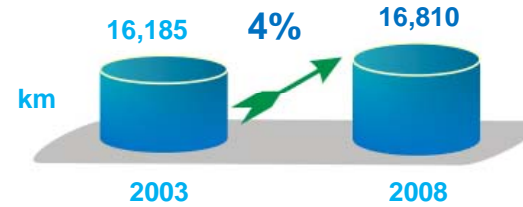
## Generation by Source



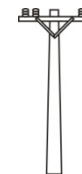
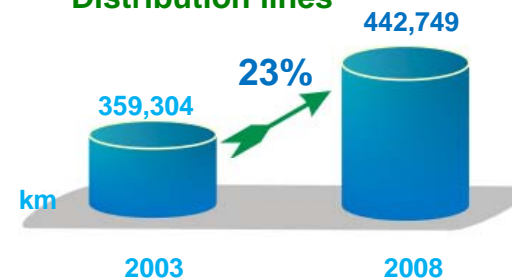
## Transmission lines



## Sub-transmission lines



## Distribution lines



# Financial highlights

## Net income

(R\$ Million)



## Dividend pay-out

(% of Net income)



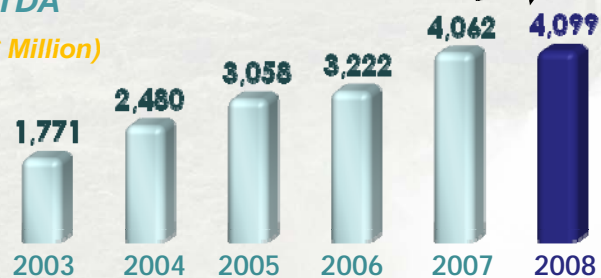
## EBITDA margin

(%)



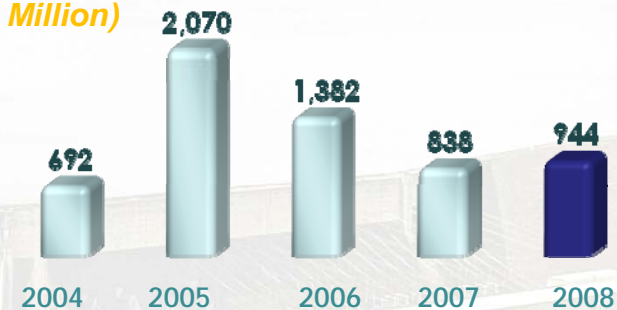
## EBITDA

(R\$ Million)



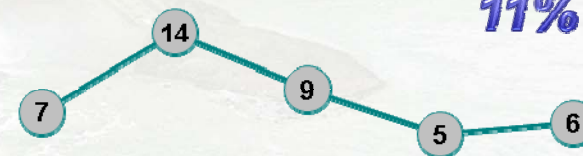
## Dividends

(R\$ Million)



## Dividend Yield

(%)



## Total Return

11%

# Strong financial discipline, low debt cost and reduce FX exposure

## Main Indexes

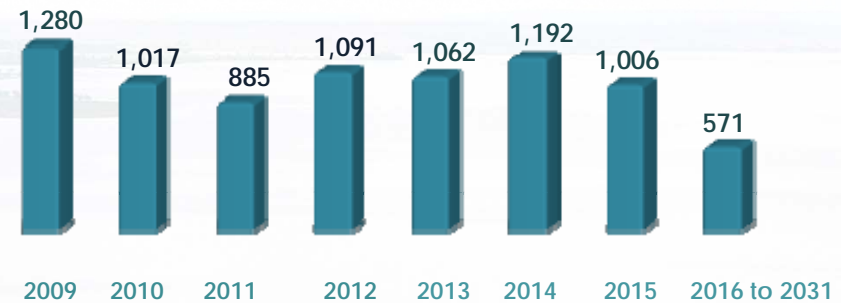
Description	CEMIG Consolidated	CEMIG GT	CEMIG D
Debt	7,345	2,741	2,723
Debt in Foreign Currency	547(7%)	156(6%)	280(10%)
Net Debt (1)	5,061	1,879	2,281
EBITDA / Interest	4.22	5.22	4.69
Debt / EBITDA	1.24	0.97	1.42
Debt / (PL + Debt)	43.99%	44.05%	52.37%

R\$/million

(1) Net Debt = Total Debt – Available

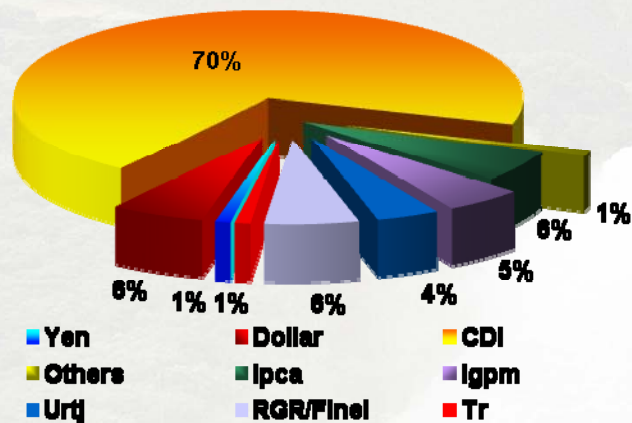
## Maturity Schedule (R\$ Million)

Average Tenor: 4.3 years



## Consolidated Debt

December 31, 2008



## Average real cost (%)



# Long Term Strategic Plan addresses sustainable growth...

## Expanding CEMIG's Operations

- Growth within Brazil's geographical area
- Expansion following Brazilian regulatory limits and sustainable growth
- First steps towards international investments

## Addressing shareholders' long-term interests:

- **Dividend policy: minimum 50% of net income payout and extraordinary dividends, provided cash availability**
- **Corporate governance focused on transparency and respect of minority shareholders' interests**

## Our goals and commitments are in Bylaws to secure stability and long-term planning

- Capex limited to 40% of EBITDA
- Debt limited to 2x EBITDA (2.5 x with acquisitions)
- Debt limited to 40% of Total Capitalization (50% with acquisitions)
- May ask shareholders for waiver in case of sizable acquisition opportunity



# Investment policy to guarantee sustainable growth...

## Investment focus:

- Power generation and transmission, electricity distribution and gas related business
- Partnership with strategic investors: corporate governance

**Acquisitions: main driver for short-term growth**

**Green field project: vehicle for long-term growth**

## Investment Criteria Selection:

- Focus on adding value to shareholders
- Continuous technological and operational improvement
- Best management practices

## To guarantee profitability:

- Investments in projects offering attractive rate of returns, above estimates in Strategic Plan, that are legally adequate
- Operational expenses and revenues of electricity distribution companies to be aligned with tariff adjustments and reviews



## Accelerated growth through acquisitions...

- Seeking for partners that add value through:
  - High corporate governance standards
  - Transparency to the economic-financial evaluation of projects
  - Access to low financing costs
- Maximize cash generation:
  - Stronger free cash flow operation
  - Extend debt profile
- Look for the best financial funding opportunities
  - Continued credit risk rating improvement

## Cemig's shareholders have aligned interests



Minas Gerais, as controlling shareholder, seeks sustainable growth and strategic expansion to add shareholders' value

- Long term focus on the electricity business
- Pursuit of healthy and sustainable growth
- Social and environmental responsibility as a key strategy
- Strong corporate governance policy to guarantee transparency and fairness in the decision making process
- Alignment of the long term interest among all shareholders

A nighttime photograph of a power plant. In the foreground, a white metal truss bridge spans across a calm river. The river reflects the lights from the power plant and the surrounding area. In the background, several large high-voltage power line towers stand against a dark sky. The power plant building is illuminated, and there are trees and other structures visible in the mid-ground. A green banner with white text is overlaid on the top left of the image.

## Results reflect long-term vision

- Operational excellence focused on costs reduction
- Financial management to improve credit quality
- Risk management to ensure reliable processes
- Investment criteria defined by Strategic Plan to add value
- Corporate governance and sustainability as corporate value
- Committed to provide investors' return on investment





# CEMIG

A Melhor Energia do Brasil

<http://ri.cemig.com.br>

## Investor Relations

[ri@cemig.com.br](mailto:ri@cemig.com.br)

Phone: +55 31 3506 5024

Fax: +55 31 3506 5025



CIG.C  
LISTED  
NYSE

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LISTED  
NYSE

