



**CEMIG**  
A Melhor Energia do Brasil.

# Successful Strategy

Performance reflects balanced portfolio structure

June 2009



Some statements in this presentation constitute “forward-looking statements” as defined by the American Securities Law, and they are subject to risks and uncertainties. “Forward-looking statements” are projections that may differ from definitive numbers and are not under our control. For a discussion of the risks and uncertainties as they relate to us, please see our 2007 Form 20F, in particular item 3, which contains “Key Information – Risk Factors.”

All amounts are in BR GAAP.

- Summary
- Report
  - Background
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  - Business Outlook
  - Our Strategy shows Solid Results
  - Market Recognition
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# Brazilian GDP growth is driven by domestic market



## Economics

- Largest Latin America economy
- 10th largest world economy
- GDP (2008): US\$ 1.24 trillion (+5.1%)
- Flow of Trade (2008): US\$ 371 billion
- Inhabitants: 191 million
- Area: 8.5 million km<sup>2</sup>
- Currency<sup>(1)</sup>: Reais (BRL) – US\$1 = R\$ 2.33
- Reserves<sup>(1)</sup>: US\$ 194 billion

## Economic Development Acceleration Plan (PAC)

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

(2) Ethanol, Biodiesel and Alcohol pipeline

## Investment Grade (S&P and Fitch)

### Electric Power Industry

- Power Generation
  - ✓ Installed Capacity: 102 GW
  - 77% Hydro; 11% Natural Gas
  - 5% Oil; 4% Biomass; 2% Nuclear;
  - 1% Coal
- Power Transmission
  - ✓ National Network: 101,858 km
  - ✓ Peak Demand in 2007: 62.7 GWh/h
- 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
- 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

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

## Power Industry

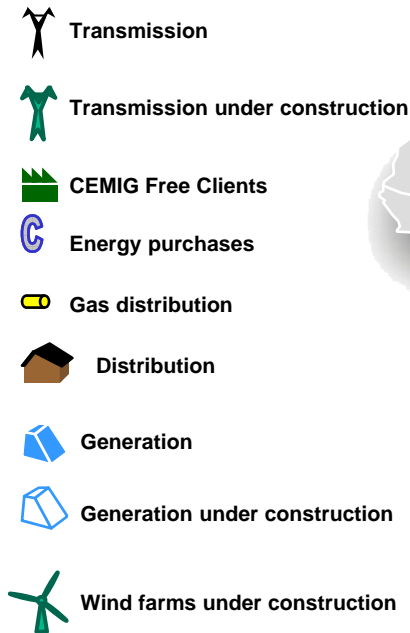
- ✓ Largest electricity distributor (transported energy, Km of line and number of consumers)
- ✓ Fourth largest power generation group
- ✓ Third largest power transmission group



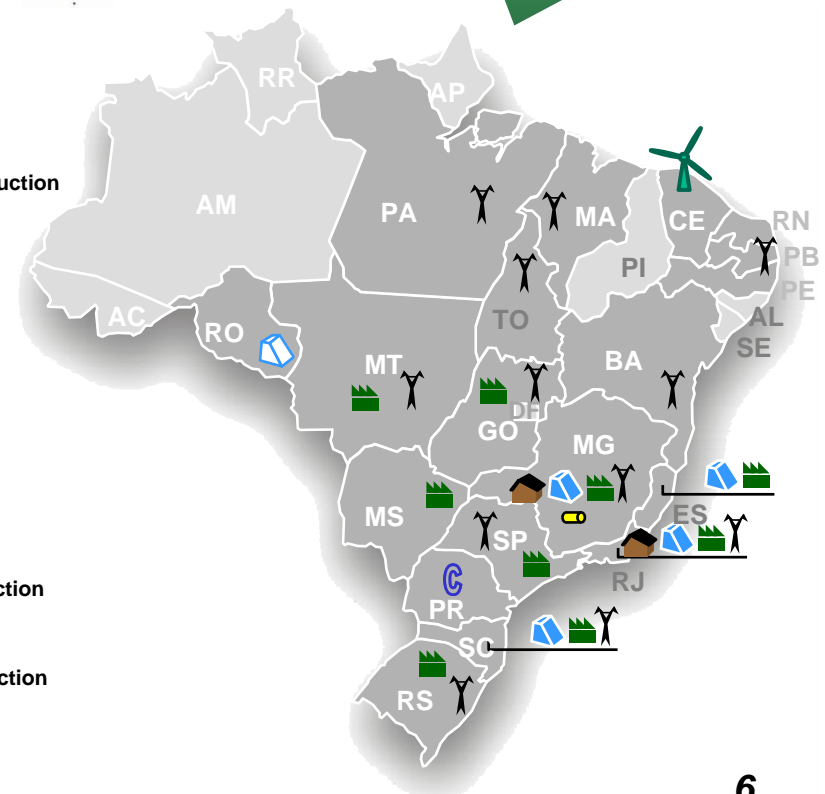
## Finances 1Q09 – Last Twelve Months

- ✓ Total assets: R\$ 25.1 billion
- ✓ Stockholders' equity: R\$ 9.7 billion
- ✓ Net revenue: R\$ 10.7 billion \*
- ✓ EBITDA: R\$ 4 billion \*
- ✓ Net Income: R\$ 1.9 billion \*

\* 1Q09 Adjusted to non-recurring



\* With Terna



# Basic Economic Figures

| Income Statement – consolidated<br>(R\$ million) | 2008   | 2007   | 2008/2007 | 1Q09  | 1Q08  | 1Q09/<br>1Q08 |
|--|--------|--------|-----------|-------|-------|---------------|
| Net Revenue                                      | 10,891 | 10,246 | 6%        | 2,366 | 2,755 | -14%          |
| <b>*Net Revenue</b>                              | 10,829 | 10,246 | 6%        | 2,580 | 2,693 | -4%           |
| EBITDA   | 4,099  | 4,062  | 1%        | 781   | 1,081 | -28%          |
| <b>*Ebitda</b>                                   | 4,090  | 4,064  | 1%        | 974   | 1,023 | -5%           |
| EBITDA Margin                                    | 38%    | 40%    | -5%       | 41%   | 39%   | 5%            |
| <b>*EBITDA Margin</b>                            | 38%    | 40%    | -5%       | 38%   | 38%   | 0%            |
| Net Income                                       | 1,887  | 1,743  | 8%        | 336   | 490   | -31%          |
| <b>*Net Income</b>                               | 1,881  | 1,744  | 8%        | 463   | 452   | 2%            |
| Net Margin                                       | 17%    | 17%    | 0%        | 14%   | 18%   | -22%          |
| <b>*Net Margin</b>                               | 17%    | 17%    | 0%        | 18%   | 17%   | 6%            |

| Balance Sheet – consolidated<br>(R\$ million) | 1Q09   | 1Q08   |
|---|--------|--------|
| Cash and Cash Equivalents                     | 2,706  | 2,284  |
| Total Assets                                  | 25,127 | 24,341 |
| Total Financial Debt                          | 7,577  | 7,732  |
| Shareholders' Equity                          | 9,688  | 8,880  |
| Net Debt (1)                                  | 4,871  | 5,273  |
| Debt / Adjusted EBITDA*                       | 1.9    | 1.8    |

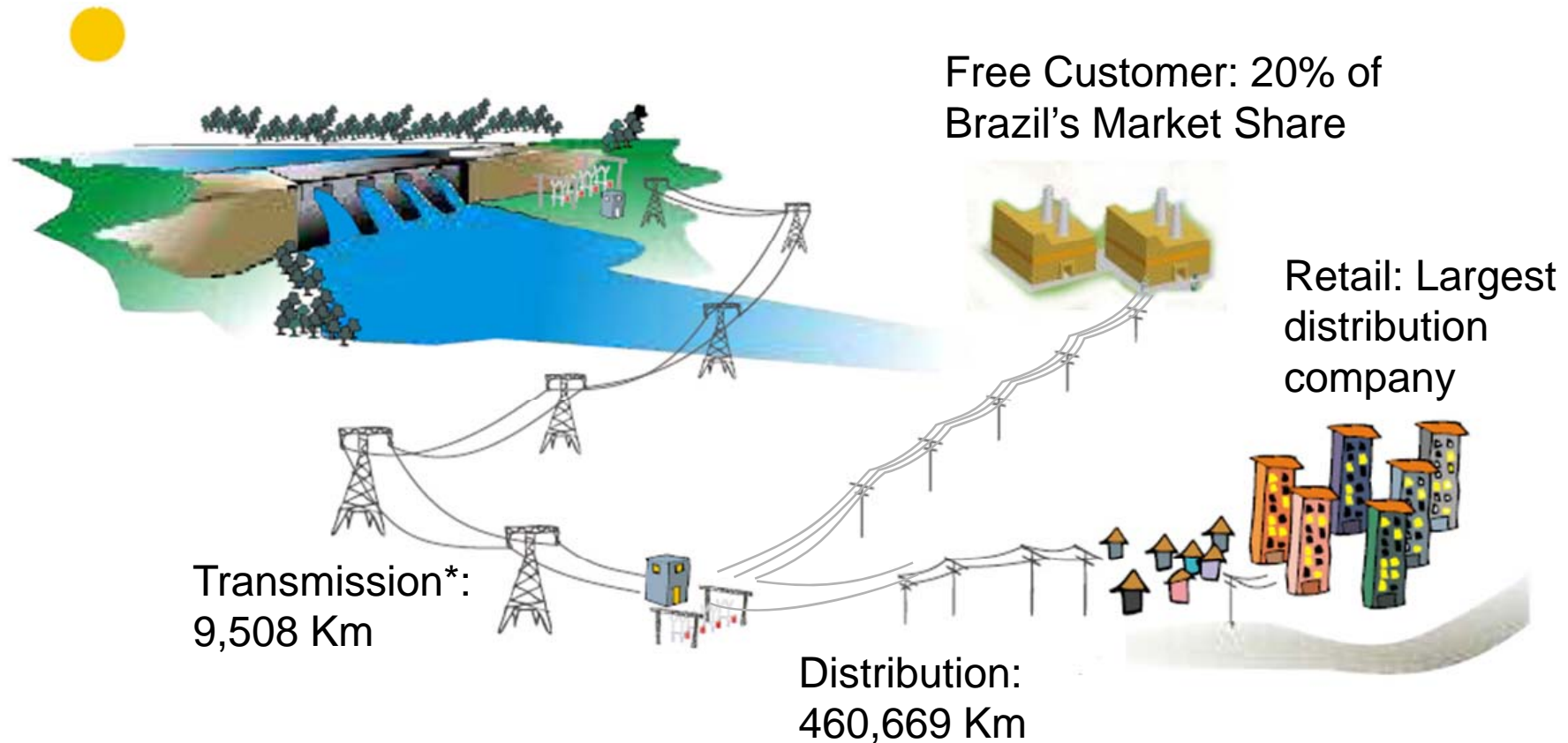
- ✓ Fundamentals remain solid
- ✓ The largest integrated company in Brazil
- ✓ Financial discipline
- ✓ Financial Management focused on long term

(1) Net Debt = Total Debt – Cash and Cash Equivalents

(\*) Final result of Cemig D's Second Tariff Review impacts the basis of comparison with previous quarters, with non-recurring adjustments fully recorded in 1Q09.

# The largest integrated utility in Brazil

Generation: 6,692 MW of installed capacity



We have top market share position in each business

\*With Terna



- Broadening of CEMIG's area of activity, focusing on the electric industry
  - Growth within Brazil's geographical area
  - First steps towards international investments
  - Expansion in line with Brazilian regulatory limits and sustainable growth
  - Invest only in the power industry and gas distribution related business
  
- Addressing shareholders' long-term interests:
  - Dividend policy: minimum a 50% of net income payout and extraordinary dividends, provided cash availability (stated in the bylaws)
  - Corporate governance focused on transparency and respect of minority shareholders' interests
  
- Incorporation of our goals and commitments to our bylaws secures stability of the company's 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)

# Business portfolio seeks low risk exposure and ensures proper return – most of revenues are inflation protected

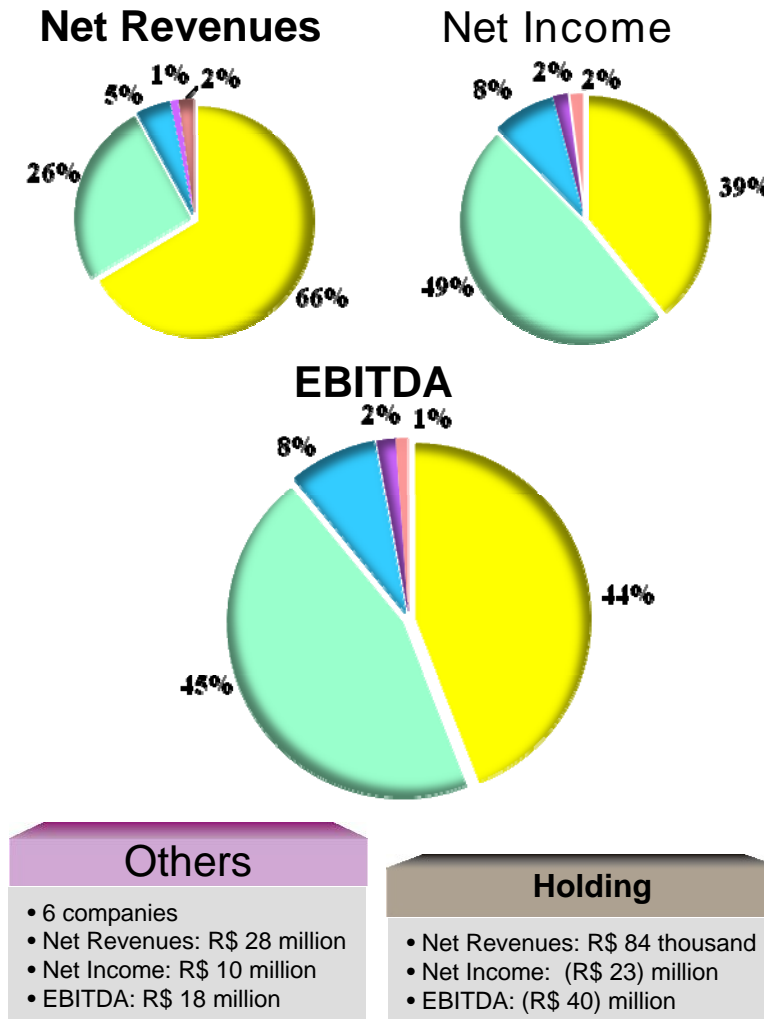


### Generation

- 13 companies
- Net Revenues: R\$ 682 million
- Net Income: R\$ 236 million
- EBITDA: R\$ 455 million
- Third-largest group in Brazil
- Energy Sold: 8,327 GWh

### Transmission

- 10 companies
- Net Revenues: R\$ 127 million
- Net Income: R\$ 40 million
- EBITDA: R\$ 82 million
- Third-largest group in Brazil



### Amounts from 1Q09

#### Distribution\*

- 2 companies
- Net Revenues: R\$ 1.76 billion
- Net Income: R\$ 190 million
- EBITDA: R\$ 446 million
- Largest in Brazil (energy transmitted, number of consumers and network extension)
- Total Energy Transmitted: 10,230 GWh

### Gas Distribution

- 1 company
- Net Revenues: R\$ 56 million
- Net Income: R\$ 10 million
- EBITDA: R\$ 11 million
- Fifth-largest in Brazil in sales volume
- Sales of 1.23 million m<sup>3</sup> per day

### Others

- 6 companies
- Net Revenues: R\$ 28 million
- Net Income: R\$ 10 million
- EBITDA: R\$ 18 million

### Holding

- Net Revenues: R\$ 84 thousand
- Net Income: (R\$ 23) million
- EBITDA: (R\$ 40) million

(\*) Final result of Cemig D's Second Tariff Review impacts the basis of comparison with previous quarters, with non-recurring adjustments fully recorded in 1Q09.

## Investment policy to guarantee sustainable growth...

- **Pillars of our activity:**
  - Focus on electricity sector and related activities
  - Profitability: return compatible with each business
  - Partnerships with strategic investors: corporate governance
- **Growth through new projects, long-term vision**
  - Opportunities in electricity generation and transmission
- **Acquisitions, drivers for short-term growth**
- **Investment Criteria Selection:**
  - Investments that add value to our shareholders
  - Continuous technological and operational improvement
  - Best management practices
- **Guarantees to ensure profitability (stated in the bylaws):**
  - Investment only in power generation, transmission and distribution and gas&oil projects that offer rates of return compatible with the risk of each business but higher than the level projected in the Strategic Plan, with the exception of legal obligations.
  - Operational expenses and revenues of electricity distribution companies, must be kept aligned to the tariff adjustments and reviews.

## Results from operations (R\$ Million)\*

| <b>Net Revenues</b> | <b>1Q08</b> | <b>2Q08</b> | <b>3Q08</b> | <b>4Q08</b> | <b>2008</b> | <b>1Q09</b> |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Generation          | 640         | 660         | 760         | 711         | 2,771       | 682         |
| Distribution (*)    | 1,978       | 1,790       | 1,843       | 1,888       | 7,499       | 1,760       |
| Transmission        | 114         | 112         | 122         | 128         | 476         | 127         |
| Gas                 | 72          | 76          | 79          | 75          | 302         | 56          |
| <b>EBITDA</b>       | <b>1Q08</b> | <b>2Q08</b> | <b>3Q08</b> | <b>4Q08</b> | <b>2008</b> | <b>1Q09</b> |
| Generation          | 439         | 441         | 568         | 414         | 1,862       | 455         |
| Distribution (*)    | 471         | 396         | 387         | 331         | 1,585       | 359         |
| Transmission        | 73          | 70          | 47          | 97          | 287         | 82          |
| Gas                 | 13          | 14          | 16          | 7           | 50          | 11          |
| <b>EBIT</b>         | <b>1Q08</b> | <b>2Q08</b> | <b>3Q08</b> | <b>4Q08</b> | <b>2008</b> | <b>1Q09</b> |
| Generation          | 384         | 390         | 489         | 399         | 1,661       | 406         |
| Distribution (*)    | 411         | 337         | 364         | 334         | 1,446       | 105         |
| Transmission        | 58          | 60          | 62          | 57          | 237         | 70          |
| Gas                 | 12          | 13          | 15          | 6           | 46          | 10          |

(\*) Final result of Cemig D's Second Tariff Review impacts the basis of comparison with previous quarters, with non-recurring adjustments fully recorded in 1Q09.

## Net Income and Ebitda per company (R\$ Million)

### Net Income per Company

| Company                   | 1Q09       | 1Q08       | 1Q09/1Q08 |
|---------------------------|------------|------------|-----------|
| Cemig Distribuição *      | 167        | 233        | -28%      |
| Cemig Geração/Transmissão | 232        | 206        | 13%       |
| RME (Light)               | 23         | 15         | 53%       |
| Gasmig                    | 10         | 11         | -9%       |
| Infovias                  | 6          | 5          | 20%       |
| TBE                       | 10         | 7          | 43%       |
| Sá Carvalho               | 6          | 7          | -14%      |
| Rosal Energia             | 4          | 3          | 33%       |
| Cemig Holding             | (24)       | (50)       | -52%      |
| Others                    | 29         | 15         | 93%       |
| <b>Cemig Consolidated</b> | <b>463</b> | <b>452</b> | <b>8%</b> |

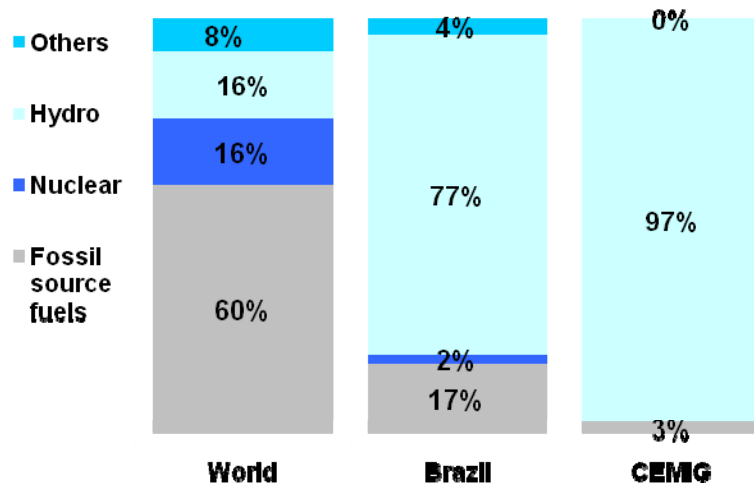
### EBITDA per Company

| Company                   | 1Q09       | 1Q08         | 2008/2007    |
|---------------------------|------------|--------------|--------------|
| Cemig Distribuição *      | 359        | 470          | -24%         |
| Cemig Geração/Transmissão | 481        | 454          | 6%           |
| RME (Light)               | 88         | 72           | 22%          |
| Gasmig                    | 11         | 13           | -15%         |
| Infovias                  | 16         | 13           | 23%          |
| TBE                       | 20         | 16           | 25%          |
| Sá Carvalho               | 9          | 9            | 0%           |
| Rosal Energia             | 5          | 4            | 25%          |
| Cemig Holding             | (40)       | (50)         | -20%         |
| Others                    | 25         | 22           | 14%          |
| <b>Cemig Consolidated</b> | <b>974</b> | <b>1,023</b> | <b>-4.8%</b> |

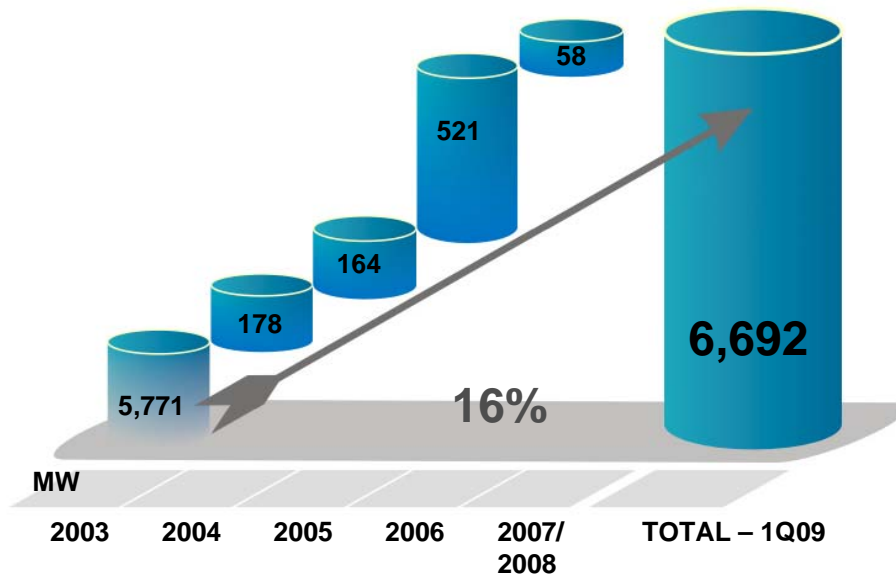
\* 1Q09 Adjusted to non-recurring

Our power matrix ensures **higher operational margins** and low environmental impacts

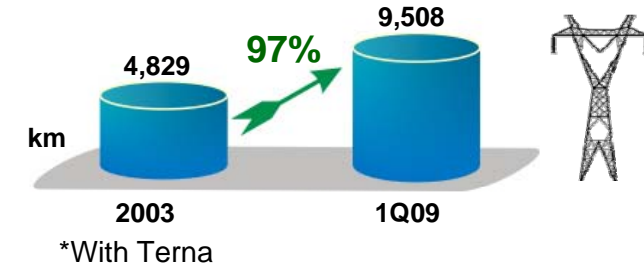
**Power Generation by Fuel Source**



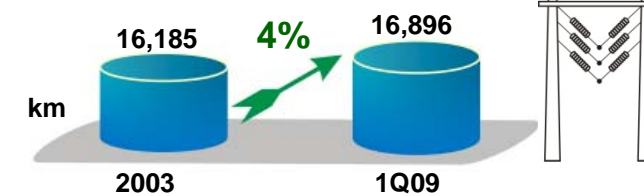
**Power Generation**



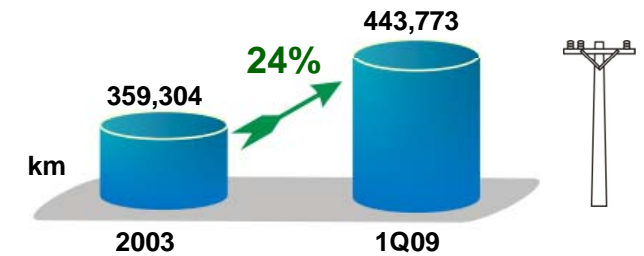
**Transmission lines\***



**Sub-transmission lines**



**Distribution lines**



During last five years +1,000 MW power generation capacity added and 85,000 km of power network

# Financial highlights\*

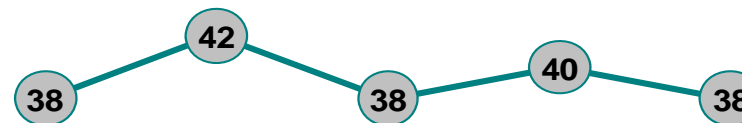


## Net income

R\$ million



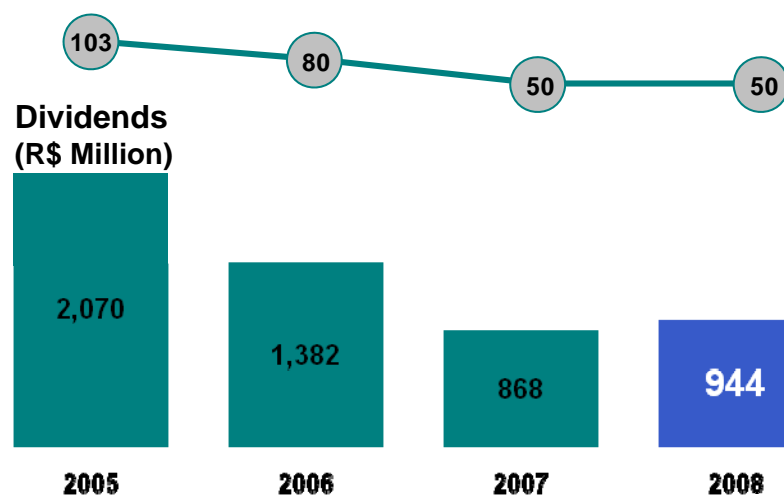
## Ebitda margin (%) consolidated



## Ebitda (R\$ million)

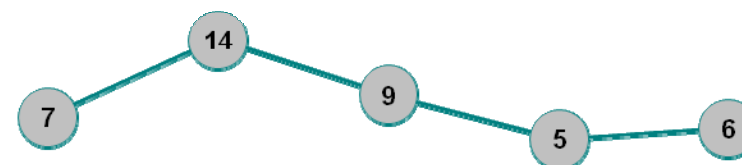


## Dividend pay-out (% of Net income)



(\* ) Ebitda of 2003 to 2005 is adjusted to reflect reclassification of account balances in accordance with changes in Plan of Accounts of Aneel (Brazilian electricity regulator).

## Dividend Yield (%)



# Shareholders' Equity and Dividends

- ✓ Proposal for 2008 income:
  - Dividends of R\$ 944 million
  - Profit reserves: R\$ 944 million
  - Shareholders' Equity grew 11%

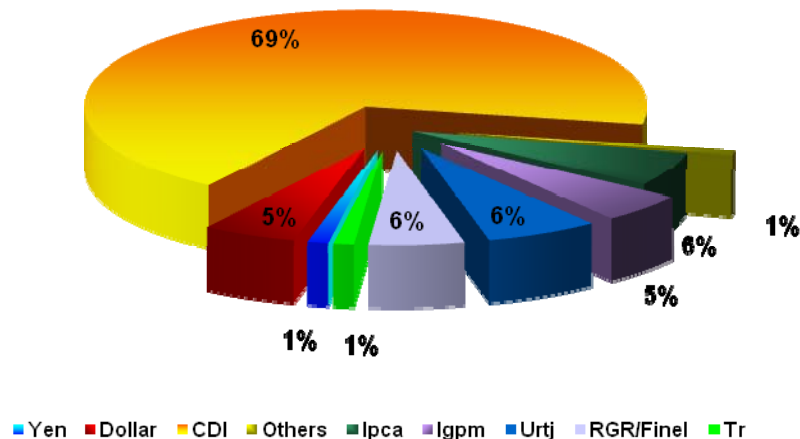
| Shareholders' Equity (R\$ Million)   | 2008         | 2007         |
|--------------------------------------|--------------|--------------|
| Capital                              | 2,482        | 2,432        |
| Capital Reserves                     | 3,983        | 4,032        |
| Profit Reserves                      | 2,860        | 1,899        |
| Accumulated Income                   | -            | 18           |
| Funds Earmarked for Capital Increase | 27           | 27           |
| <b>Shareholders' Equity</b>          | <b>9,352</b> | <b>8,408</b> |

- ✓ Stock Dividends to award 25% in shares (the same series as the old shares)
- ✓ Dividends to be paid in 2009 are calculated on the basis of Net Income in 2008 of the Holding Company, Cemig
- ✓ Use of remaining cash to make acquisitions
- ✓ Proposal for Light's dividend payment: R\$ 65 million to Cemig



# Financial discipline to lower debt cost and reduce FX exposure

## Main Indexes

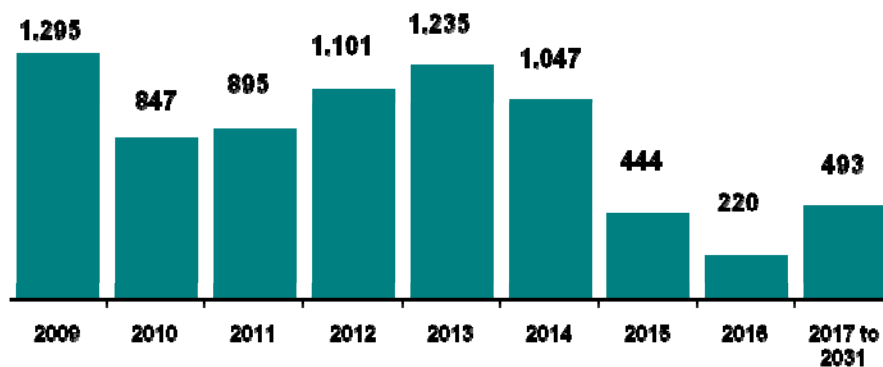


## Consolidated Debt 3/31/2009

| Description                | CEMIG Consolidated | CEMIG GT | CEMIG D   |
|----------------------------|--------------------|----------|-----------|
| Debt                       | 7,577              | 2,988    | 2,751     |
| Debt in Foreign Currency   | 534 (7%)           | 145 (5%) | 281 (10%) |
| Net Debt <sup>(1)</sup>    | 4,871              | 1,730    | 2,267     |
| EBITDA / Interest          | 4.43               | 5.52     | 4.35      |
| Debt / EBITDA              | 2.00               | 1.54     | 2.21      |
| Net Debt / (PL + Net Debt) | 33.46%             | 31.78%   | 47.40%    |

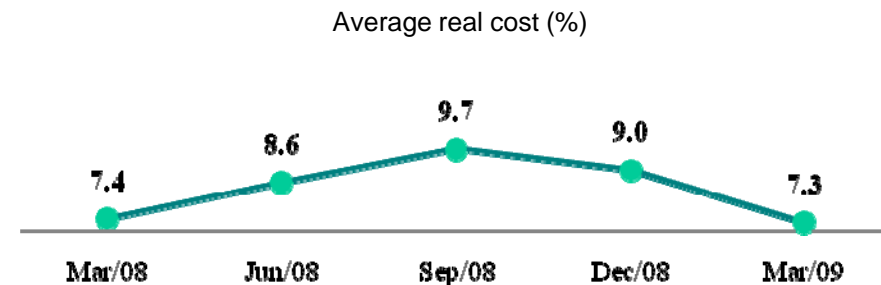
(1) Net Debt = Total Debt – Cash and Cash Equivalents

## Maturity Schedule Average period: 4 years



✓ 70% of the debt maturing in 2009 are due to 4Q

## Investment Grade (Moody's)



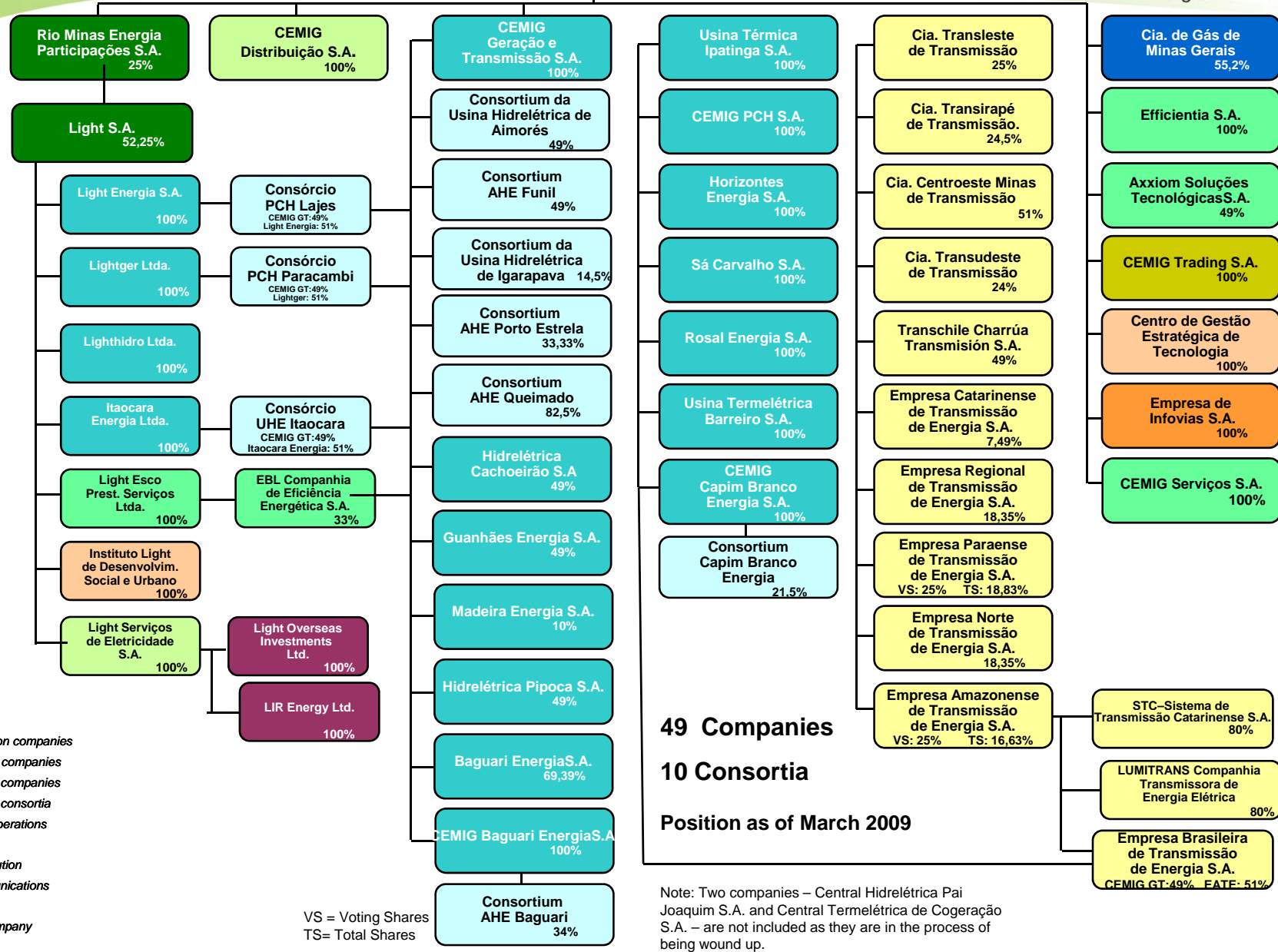
## Results reflect **long-term vision**

- ❖ Company's structure oriented towards electricity sector consolidation
- ❖ Operational excellence aligned with costs reduction
- ❖ Investment criteria defined by Strategic Plan to add value
- ❖ Risk management ensures reliable processes
- ❖ Corporate governance as a corporate value constantly evolving
- ❖ Financial management to improve credit quality and cost reduction
- ❖ Sustainability and governance contained in Company's bylaws
- ❖ Committed to provide investors' return on investment

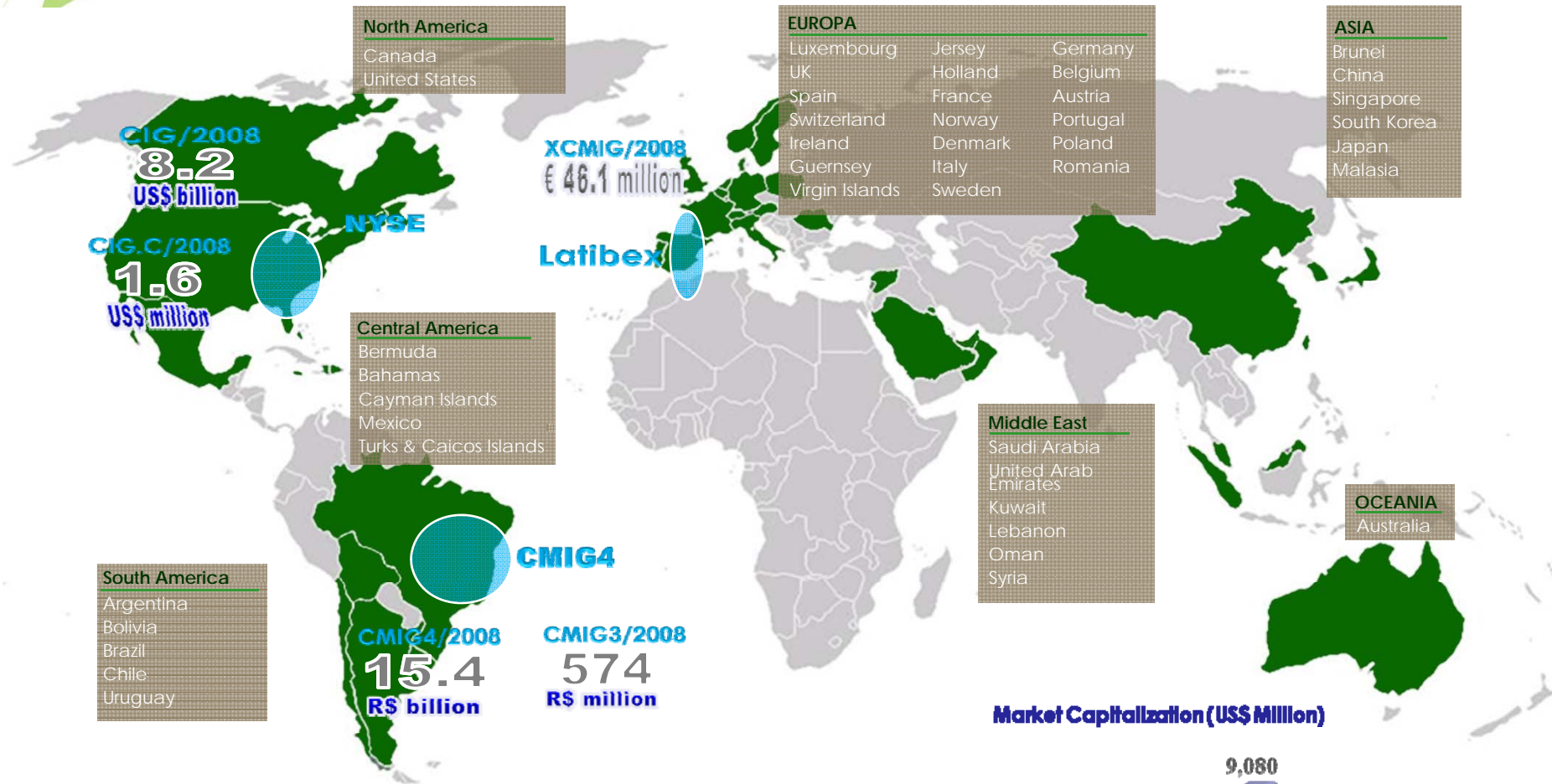
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# CEMIG's Business Structure

**CIA. ENERGÉTICA DE MINAS GERAIS**



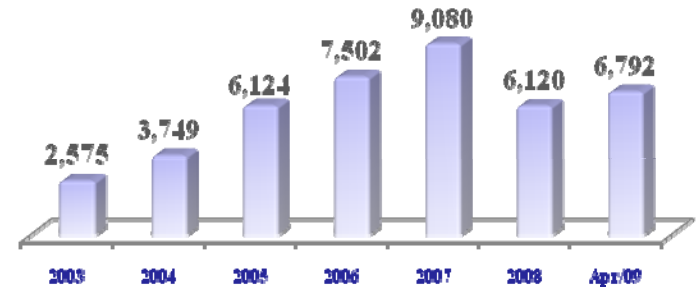
# Strong shareholders base assures liquidity



Average Daily Trading Volume (2008)

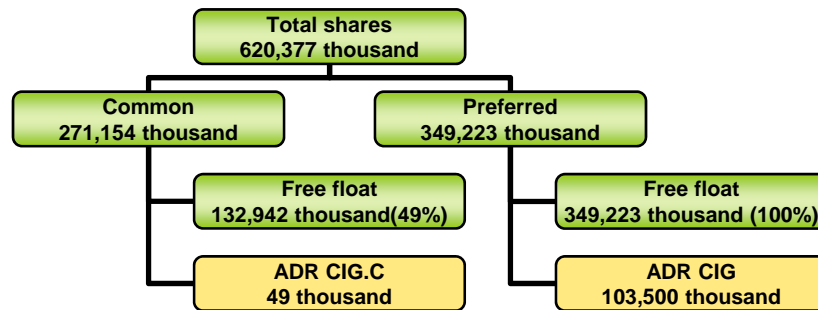
**Bovespa:** R\$ 64 million  
**NYSE:** US\$ 33 million

- Our Shares are traded in 3 Stock Exchanges
- 118,000 shareholders over 46 countries



# The blend of shareholders provides long term perspective

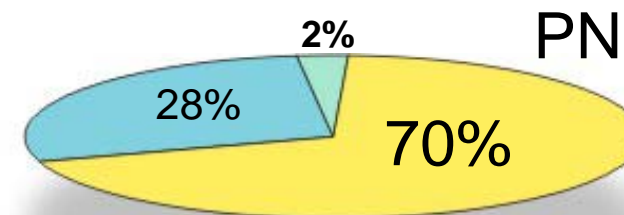
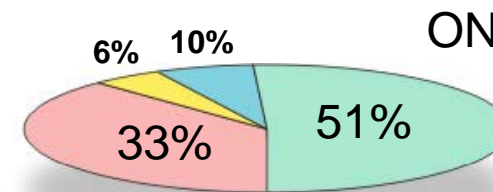
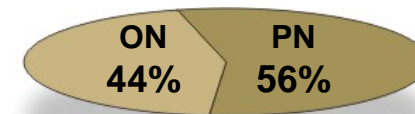
- Our shareholder diversity provides a global business management vision focused on sustainability of the company's activities
- Listed in major stock exchanges
  - **BOVESPA (Brazil)**
  - **NYSE (USA)**
  - **LATIBEX (Spain)**



Share nominal value = R\$5.00

ADR outstanding approximately 17% of total shares  
 1 ADR = 1 share in Bovespa

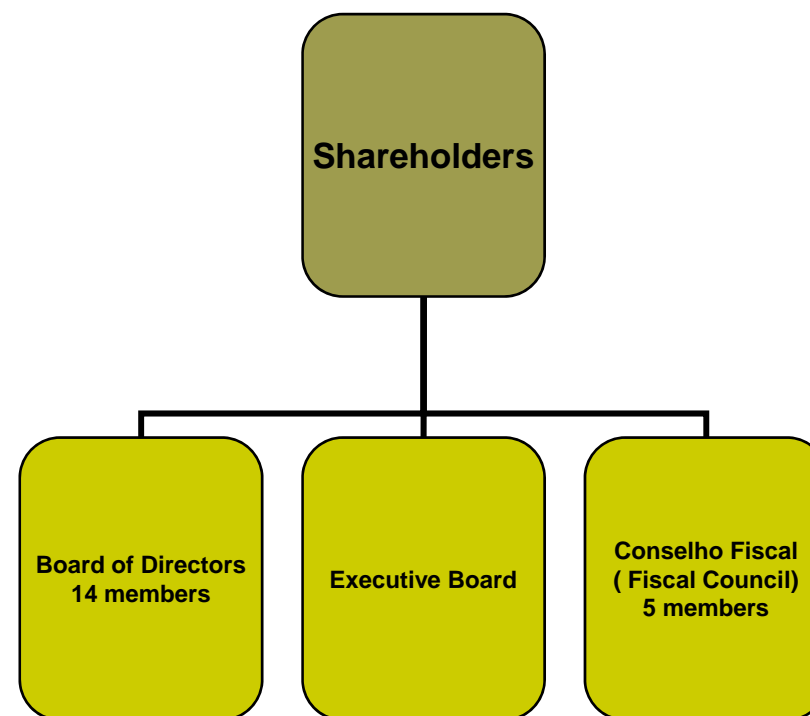
Total Shares



(\*) Controlled by international investors

## Highlights

- Code of ethics;
- 6 BoD members appointed by minority shareholders;
- BoD approves all investments above R\$14mn;
- BoD approves nomination of external auditors;
- Executive Board coordinates external auditor selection process (in compliance with the Brazilian Procurement Legislation for state owned companies);
- Fiscal Council plays Audit Committee key role, including:
  - Accounting practices;
  - Dividend policy;
  - Prevention of fraud;
  - Financial statements analysis.
- SOX compliance:
  - Sections 302 and 404 Certification;
- BOVESPA level 1;
- NYSE listed company practices.



## Leadership in sustainability, a core value at Cemig



- Social and Environmental responsibilities
- Long-term vision commitment
- To guarantee the preservation of our activities
- Prevent undue costs to be passed to the society through a balanced relationship with the environment and the community
- Recognition of our actions to ensure sustainability:
  - Selected member of Dow Jones Sustainability World Index for the **ninth** time in a row, now world leader in Utilities “Supersector”
  - Selected member of Corporate Sustainability Index of the Sao Paulo Stock Exchange (Bovespa) for the **fourth** year in a row.





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## ✓ Expansion:

- Acquisition of Terna Participações S.A.
  - Acquisition of 65.86% of Terna Participações S.A. (“Terna Part.”) from Terna S.p.A. for R\$2,330.5MM (R\$40.29 per unit(1))
  - Mandatory tender offer for the minority shareholders at the same price paid to Terna S.p.A., as required by the Level 2 of Corporate Governance in Bovespa and the Terna Part. By-Laws
  - 3,753 km of transmission lines
- Acquisition of three Wind Farms
  - Acquisition of 49% stockholdings in three wind farms (99.6MW) in the Brazilian State of Ceará, currently owned by Energimp S.A. (IMPISA).
  - Price paid for the shares: R\$ 213 million, to be paid to IMPISA after approval by Aneel, the Caixa Econômica Federal (“CEF”) and Eletrobrás
- Construction of a transmission line in Chile.

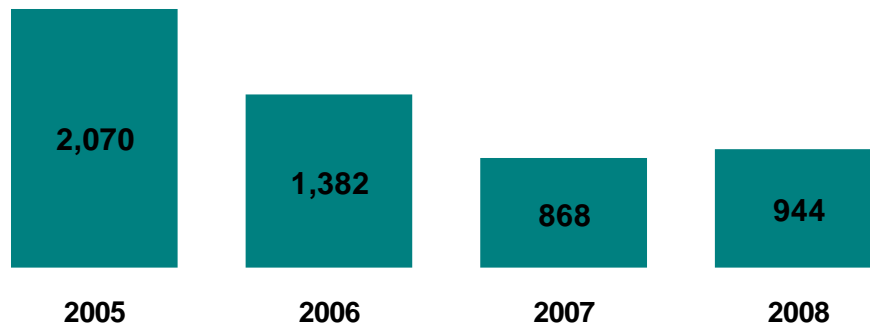
### Notes

1. Equivalent to approximately R\$13.43 per share

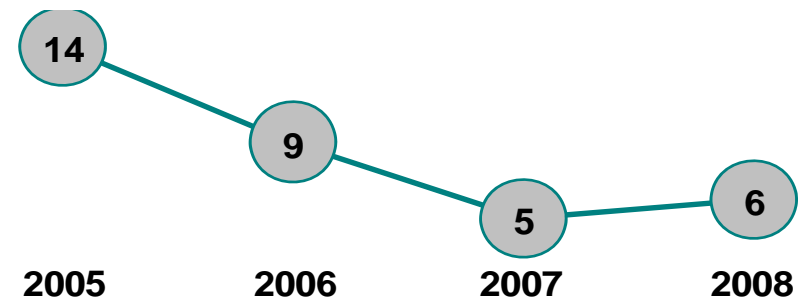
## ✓ Dividends:

- R\$ 472 million will be paid in June 09 and other R\$ 472 million in December 2009, representing 50% of 2008 Net Income

### Dividends (R\$ Million)

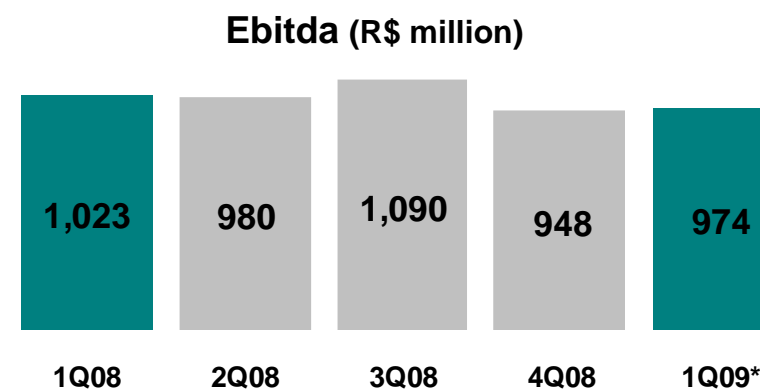
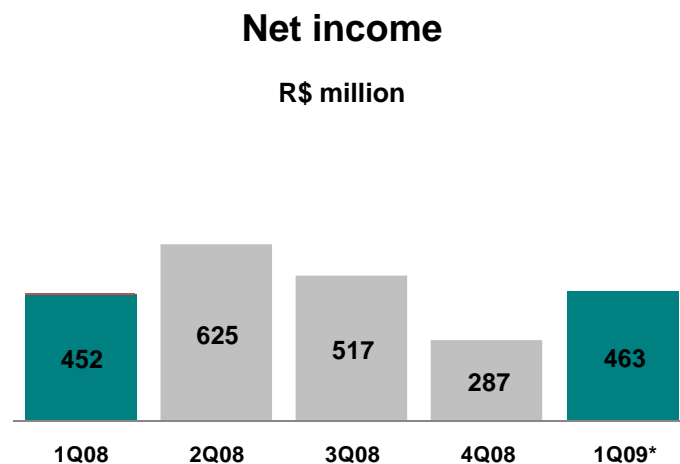


### Dividend Yield (%)



## ✓ Solid Financial Situation:

- Complying with Strategic Plan commitments;
- Return on investment compatible with each business risk;
- Extended debt profile and lower costs;
- 2008 Ebitda reached R\$4,041 million

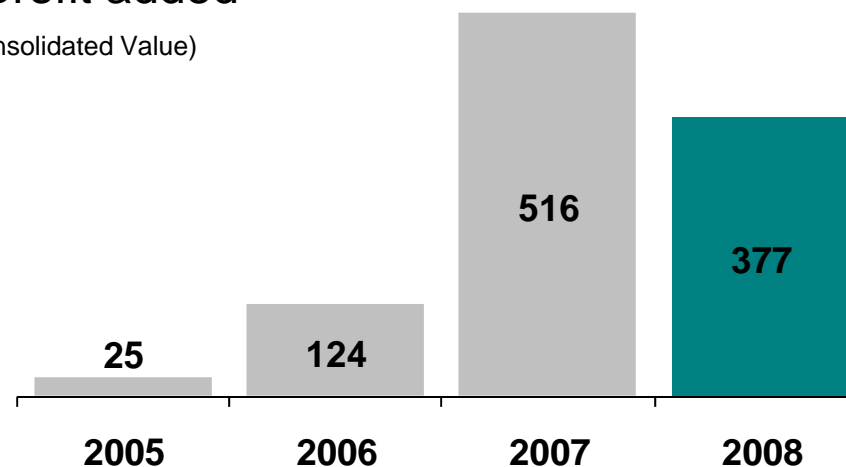


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# Performance Indicators

## Economic profit added

(R\$ million – Consolidated Value)



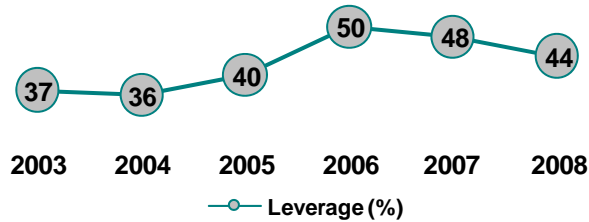
| Indicator                                      | 2005       | 2006       | 2007       | 2008       |
|--|------------|------------|------------|------------|
| <b>ROIC</b>                                    | 13.8%      | 12.3%      | 13.9%      | 13.7%      |
| <b>Nominal WACC</b>                            | 13.6%      | 11.4%      | 10.6%      | 11.4%      |
| Cost of Debt                                   | 12.4%      | 13.8%      | 11.2%      | 11.5%      |
| Cost of Equity                                 | 17.3%      | 13.8%      | 13.5%      | 14.4%      |
| Debt / Debt + Equity                           | 40.7%      | 50.4%      | 47.2%      | 44.0%      |
| <b>Economic Profit % (ROIC - WACC)</b>         | 0.2%       | 0.9%       | 3.3%       | 2.3%       |
| <b>Investimento médio de capital (R\$ mil)</b> | 11,794,791 | 13,645,889 | 15,557,101 | 16,327,457 |

\* Calculated to represent the opportunity cost over the period. It is not reference to calculations of economic and financial evaluation

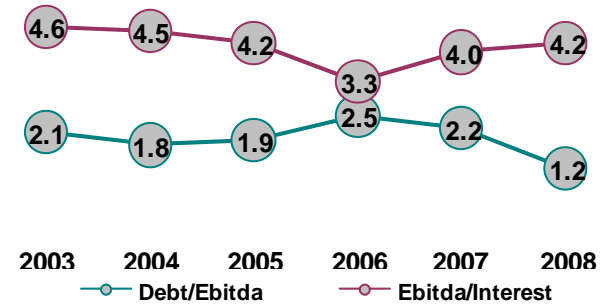
✓ Continue value adding

# Continuous improvement of our KPI

**Leverage (%)**  
Debt / (Debt + Equity)

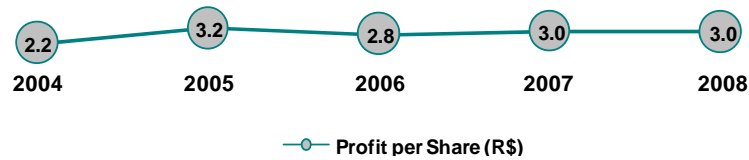


**Key debt indicators (%)**

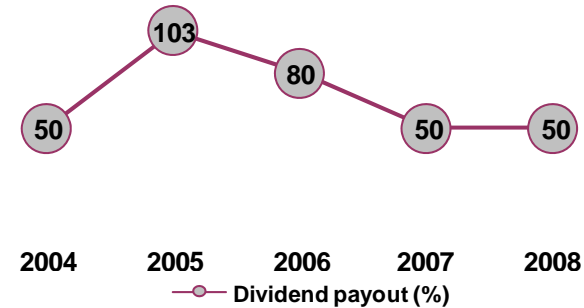


## Key performance indicators in line with Long Term Strategic Plan

**Adjusted Earnings per share (R\$)**



**Adjusted Dividend payout (%)**



- Summary
- Report
  - Background
  - Strategy Overview
  - **Business Outlook**
  - Our Strategy shows Solid Results
  - Market Recognition
  - Appendix – Regulatory Framework

- Power generation
  - More competitive environment
    - Regulated market : long term contracts with distributors sales through public auctions.
    - Un-regulated market : medium term contract with large clients. Contract terms bilaterally negotiated.
- Power transmission
  - Most successful regulation
  - Stable cash flow: fixed income alike investment
- Electricity distribution
  - Strongly regulated
    - Operating expenses: Full pass-through mechanism. Yearly adjustment for non controllable costs and inflation.
    - 5 year rate setting review: sharing productivity gains with users
    - Revenues come from grid use and sales to captive market
- Natural gas distribution
  - Same concession area of Cemig Distribuição
  - Partnership with Petrobrás (Petrobrás 40% and Cemig 55%)
- Telecommunication backbone services
  - Synergy: usage of power transmission lines for fiber optics cables
    - 60% of capacity used by Cemig Group



## Cemig's consolidated generation assets (March/09)

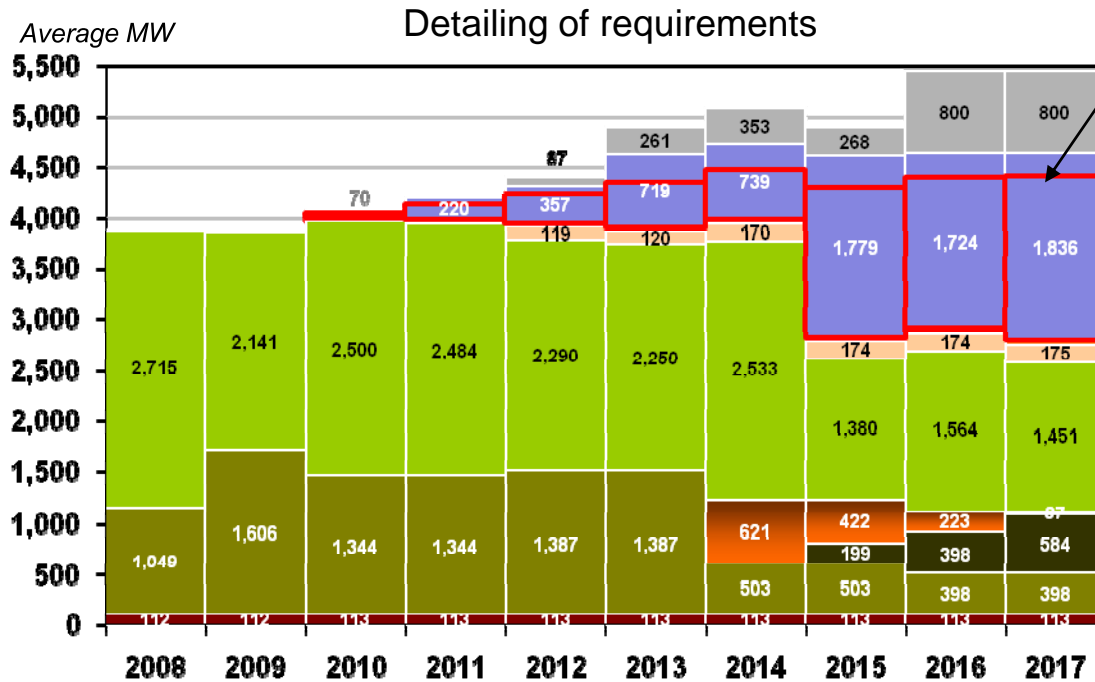
| Plant                               | Installed capacity (MW) | Efective Power (MW Average) |
|-------------------------------------|-------------------------|-----------------------------|
| <b>Largest hydroelectric plants</b> |                         |                             |
| São Simão                           | 1,710                   | 1,281                       |
| Emborcação                          | 1,192                   | 497                         |
| Nova Ponte                          | 510                     | 276                         |
| Jaguara                             | 424                     | 336                         |
| Miranda                             | 408                     | 202                         |
| Três Marias                         | 396                     | 239                         |
| Volta Grande                        | 380                     | 229                         |
| Irapé                               | 360                     | 206                         |
| Aimorés                             | 162                     | 84                          |
| Light Geração (13,06%)              | 112                     | 70                          |
| Others                              | 853                     | 484                         |
| <b>Total hydro-electric</b>         | <b>6,507</b>            | <b>3,905</b>                |
| <b>Total thermal</b>                | <b>184</b>              | <b>83</b>                   |
| <b>Wind</b>                         | <b>1</b>                | <b>0</b>                    |
| <b>Total</b>                        | <b>6,692</b>            | <b>3,988</b>                |

- Cemig provides 7% of Brazil's generation capacity and supplies 20% of Brazil's free customers market

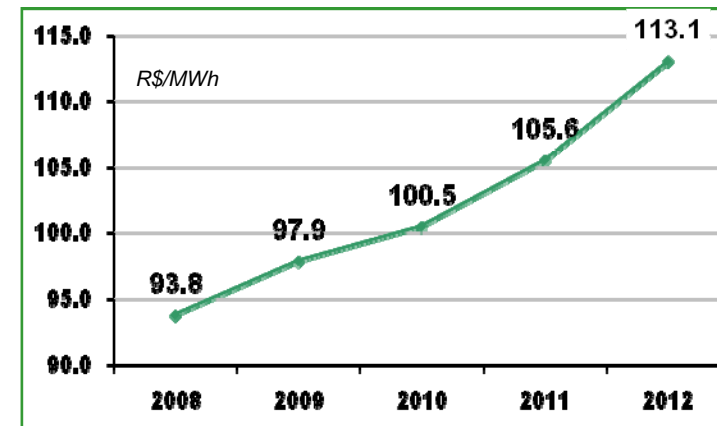
# Our power generation contracts start re-pricing in 2010

## Cemig GT - Balance of supply and demand

Probable renewals



Guidance for 2009-2012  
Constant prices as of June/09

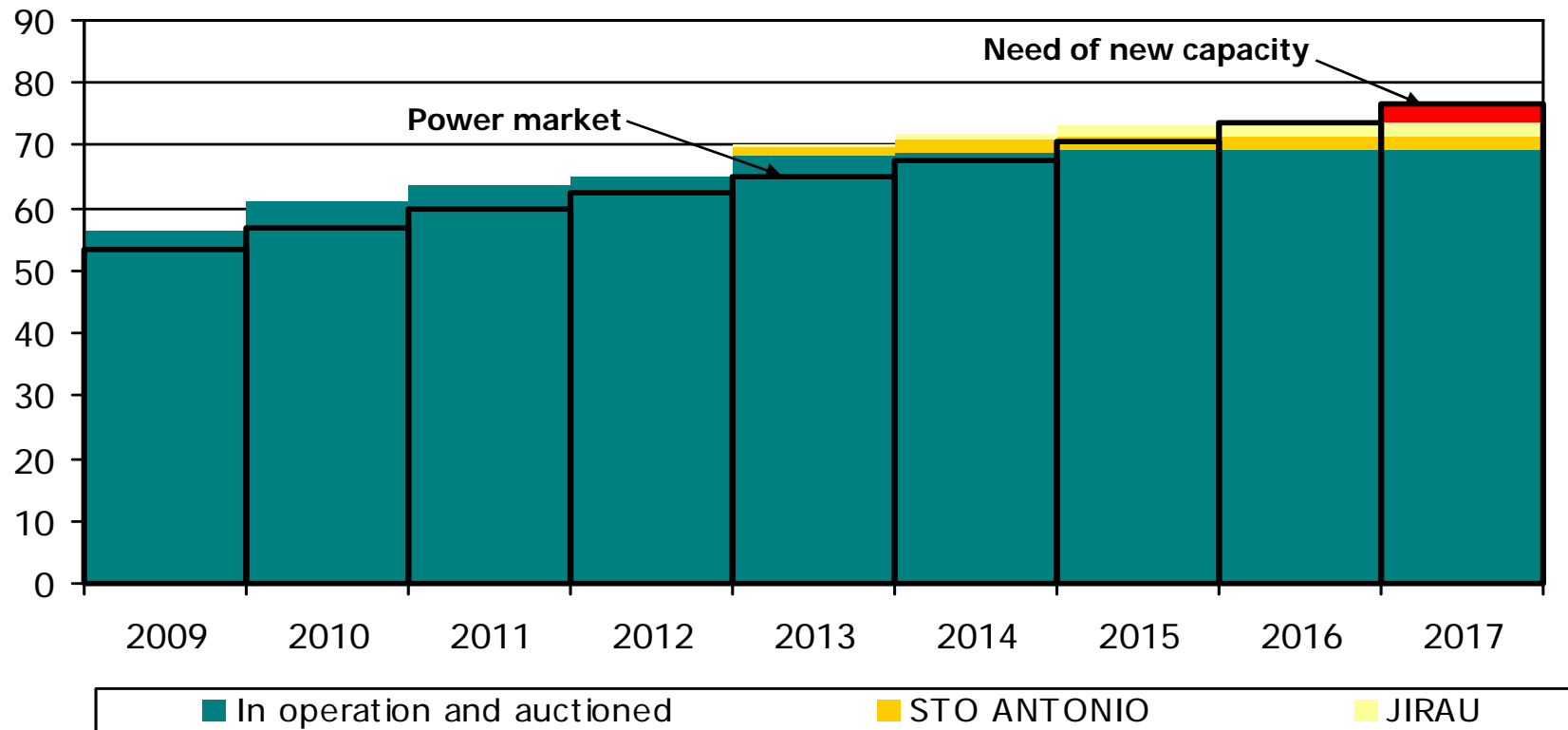


- Uncontracted power
- Free Market New Contracts (market share increase)
- Free Market Sales (old contracts to free consumers and traders)
- Sales to be decided (concessions to be renewed for 2nd time)
- Regulated Market Sales (distributors)
- Pass-through (operational agreement with self-producers)
- Sales in the Regulated Market (forecast)
- Planned Purchases

- Actual contract prices + forward price trend for the re-contracting.
- After 2014 all free customer's contracts will have been re-priced

## Structural electricity balance

(Assuming: restrictions on supply of natural gas according to Petrobrás commitment term)

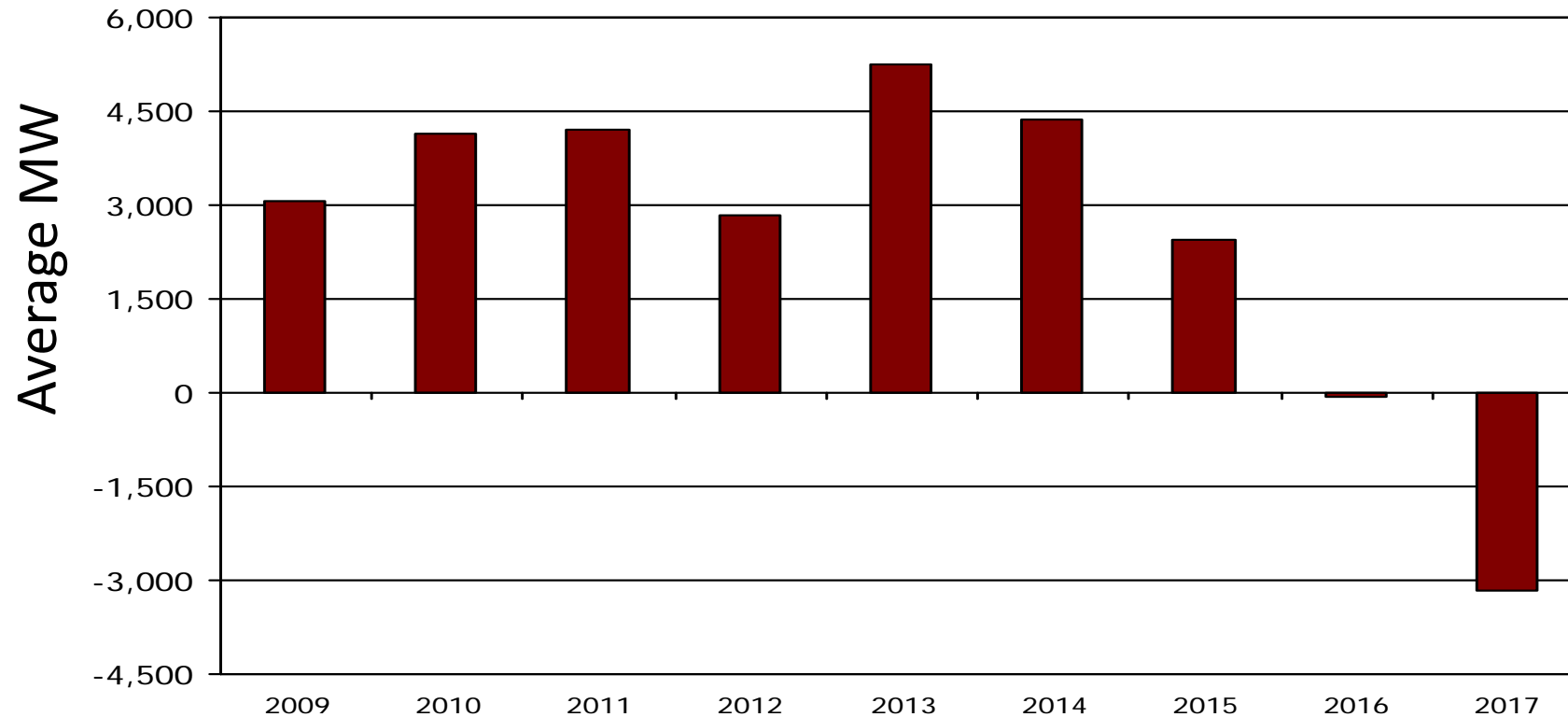


Sources: PMO Apr 2009, Cemig research.

GDP growth of 2.0% in 2009, 5,5% in 2010 and 4,0% in 2011+, average market growth of 4.5% (1.2% in 2009).

## Structural electricity balance (surpluses and deficits)

(Assuming: restrictions on supply of natural gas according to Petrobrás commitment term)



Sources: PMO Apr 2009, Cemig research.

GDP growth of 2.0% in 2009, 5,5% in 2010 and 4,0% in 2011+, average market growth of 4.5% (1.2% in 2009)..

- **Old Energy Auctions:**

- Every year on last working day of November;
- Power delivery from the next year on;
- 8 year long contracts (can be from 3 to 15 years)

- A-1 – November, 24th: no sales  
Price cap of R\$ 121/MWh

- **New Energy Regular Auctions:**

- 2008 Auction (last one)

- A-5 - September, 30<sup>th</sup>
  - 3,125 MWAvg from 2011
  - 15 year long thermo contracts and 30 years long for hydro
  - Thermo Price: R\$145.47/MWh
  - Hydro price: R\$ 98.98/MWh

- **Adjustment Auction:**

- 2009 Auction

- February, 20<sup>th</sup>
  - 990 MWAvg in 10 and 4 months long contracts
  - Average price: R\$ 145,67/MWh
  - Cemig GT sold 262 Avg MW @ R\$ 145,73 / MWh

- **New Energy Special Auctions – Madeira River Projects:**

- Santo Antônio Power Plant: December 10, 2007
- Jirau: 3,326 MW of installed capacity: May 19 2008:
  - start-up in 2013,
  - Winner Consortium: Energia Sustentável led by Suez
  - Price: R\$ 71.40/MWh
  - Effective power of 2,000 Average MW
  - Capacity factor of 60%

- **2009 New Energy Auctions:**

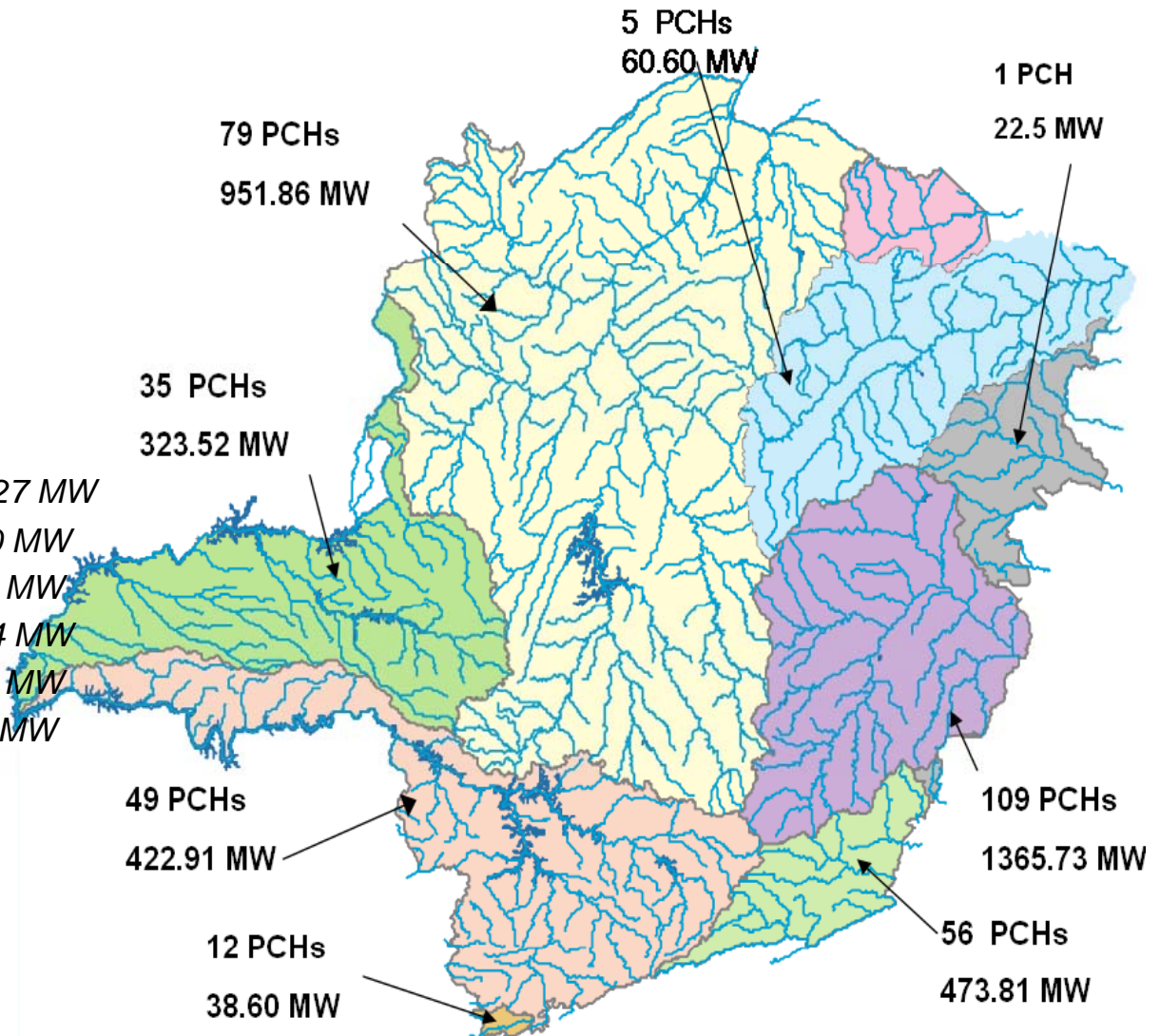
- A-3 : August 27<sup>th</sup>
- Wind Generation: November 25<sup>th</sup>

# Business Opportunities: Small Hydros Program

- Short-term supply alternative
- Successful funding format:
  - 30% Equity
    - Cemig 49%
    - Private Investor 51%
  - 70% Debt
    - BNDES
- Current status
  - 6 plants contracted : 91 MW
    - PCH Cachoeirão(\*) 27 MW
    - PCH Pipoca 20 MW
    - PCH Senhora do Porto 12 MW
    - PCH Dores de Guanhões 14 MW
    - PCH Jacaré 9 MW
    - PCH Furtuna II 9 MW
  - Investments of R\$ 380 million
- Under Negotiation
  - 16 Plants
  - 236 MW os installed capacity

(\*) Operating

PCH = Small Hydro Power Plant



## Sugar and ethanol potencial in Minas gerais

| Plants             | Quantity  | Generatn. (MWa*) | Surplus (MWa*) |
|--------------------|-----------|------------------|----------------|
| Existing           | 26        | 530              | 420            |
| Expected           | 59        | 2046             | 1755           |
| With Protocol      | 34        | 1191             | 953            |
| Without Protocol** | 13        | 591              | 591            |
| Other***           | 12        | 264              | 211            |
| <b>TOTAL</b>       | <b>85</b> | <b>2576</b>      | <b>2175</b>    |

\* Average generation in 6 months of the year

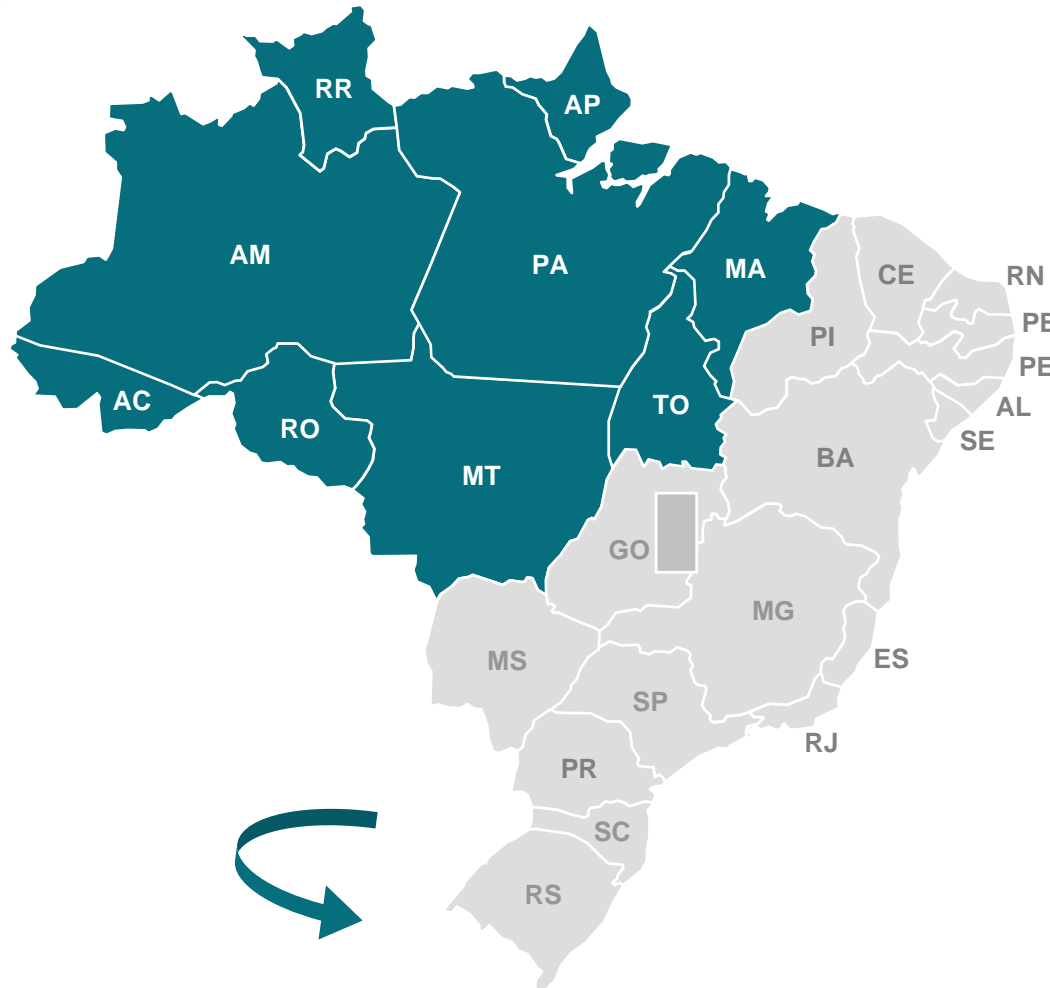
\*\* Data provided to Cemig on consultation access

\*\*\* Crushing data from 9 mills with no expected startup date

Note: Protocol entered into with the State of Minas Gerais

- ✓ Approximately 75% of the plants are located in the heavy-industry region known as the Minas Triangle
- ✓ Generation available from April to September, the dry season for the hydro power plants

# Brazilian hydroelectric power generation potential



*Amazon region:  
Estimated capacity to be developed is  
63% of the total available*

Situation as of January 2008, MW

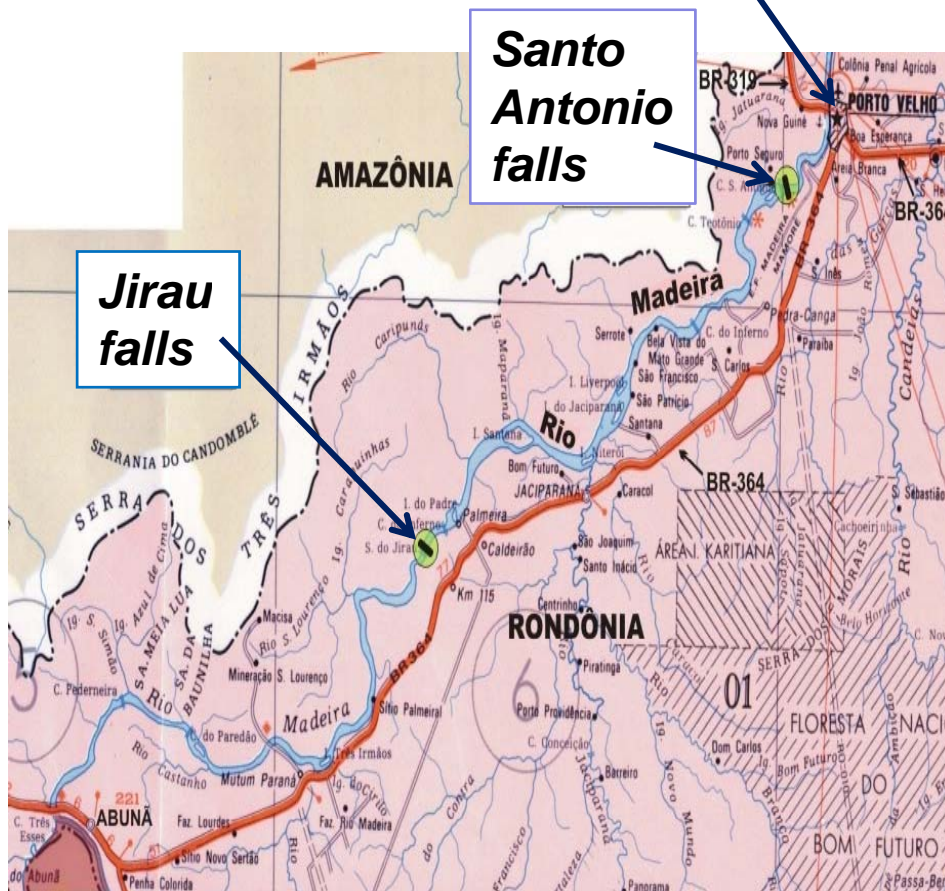
|              | State | Operation & Construction | Estimated      | Overall total  |
|--------------|-------|--------------------------|----------------|----------------|
| NORTH        | AC    | 0                        | 1.058          | 1.058          |
|              | AM    | 250                      | 20.227         | 20.477         |
|              | AP    | 78                       | 1.739          | 1.817          |
|              | PA    | 8.395                    | 41.920         | 50.315         |
|              | RO    | 275                      | 13.166         | 13.441         |
|              | RR    | 5                        | 5.257          | 5.262          |
|              | TO    | 1.415                    | 5.117          | 6.532          |
| NORTHEAST    | AL    | 1.581                    | 2.682          | 4.263          |
|              | BA    | 6.824                    | 5.215          | 12.039         |
|              | CE    | 4                        | 21             | 25             |
|              | MA    | 114                      | 2.102          | 2.216          |
|              | PB    | 4                        | 7              | 11             |
|              | PE    | 750                      | 823            | 1.573          |
|              | PI    | 113                      | 360            | 473            |
|              | SE    | 1.581                    | 2.665          | 4.246          |
| SOUTHEAST    | ES    | 106                      | 1.283          | 1.389          |
|              | MG    | 11.193                   | 12.916         | 24.109         |
|              | RJ    | 1.119                    | 2.122          | 3.241          |
|              | SP    | 10.804                   | 4.305          | 15.109         |
| CENTER-WEST  | DF    | 30                       | 0              | 30             |
|              | GO    | 5.283                    | 7.009          | 12.292         |
|              | MS    | 3.456                    | 2.520          | 5.976          |
|              | MT    | 953                      | 16.685         | 17.638         |
| SOUTH        | PR    | 15.241                   | 8.927          | 24.168         |
|              | RS    | 0.070                    | 0.000          | 11.450         |
|              | SC    | 2.959                    | 4.509          | 7.468          |
| <b>TOTAL</b> |       | <b>75.903</b>            | <b>170.717</b> | <b>246.620</b> |

Source: Eletrobrás (SIPOT).



# The Madeira River generation complex

Located upstream from Porto Velho, capital of the State of Rondônia:



## Santo Antônio hydroelectric plant General data

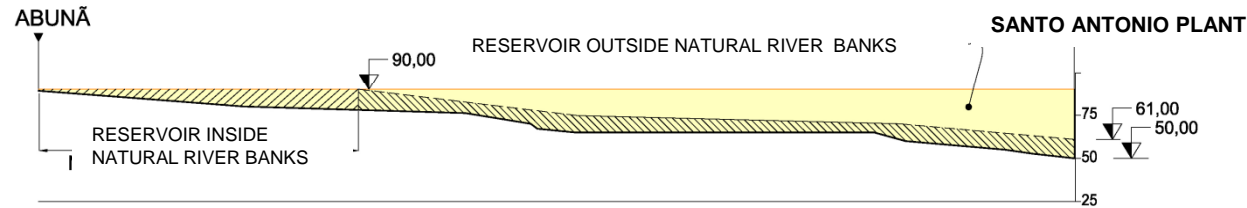
|                         |                  |
|-------------------------|------------------|
| Installed power         | 3,150 MW         |
| Firm energy at location | 2,218 MW average |
| Generation units        | 44               |
| Type of rotors          | Bulb             |

## Main contract events

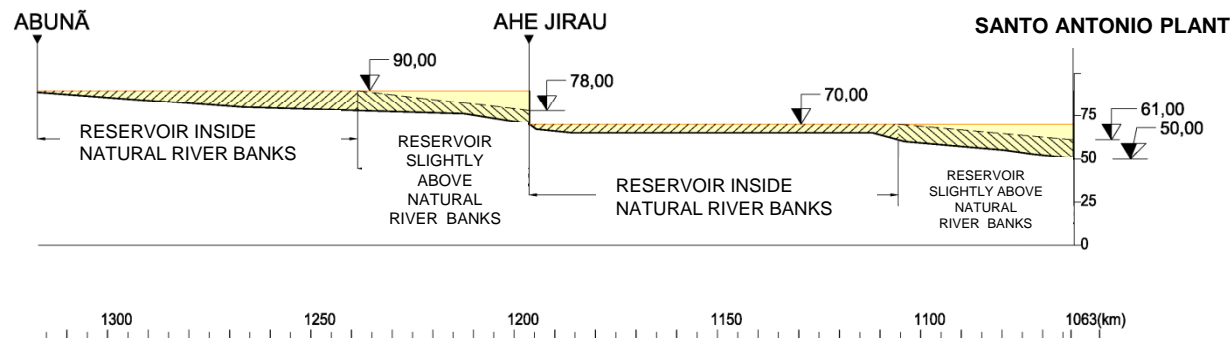
- 01/11/07 – Tender published
- 23/11/07 – Bidders registered
- 30/11/07 – Guarantees deposited
- 10/12/07 – Auction held
- 28/05/08 – Concession contract
- 01/12/2012 – Startup
- 31/05/2043 – End of concession

# Madeira River generation complex

## I – Single plant alternative – rejected by a close margin

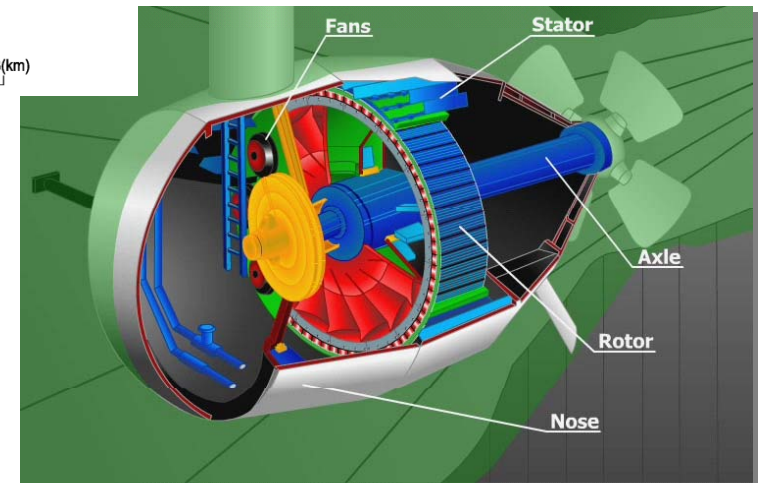


## II – Alternative with two lower-fall plants – SELECTED



Alternative dam locations

A bulb rotor



- Low-fall plant (13.9 m), average estimated flow 568 m<sup>3</sup>/s, lake 271 km<sup>2</sup>, resulting in lower ratio between reservoir area and total energy generated than in other Amazon region plants: index of 0.09
  - Balbina ( 250 MW, 2,360 km<sup>2</sup> reservoir): index 9.44
  - Samuel ( 217 MW, 584 km<sup>2</sup> reservoir): index 2.69
  - Manso ( 210 MW, 387 km<sup>2</sup> reservoir): index 1.84
  - Tucuruí (4000 MW, 2,414 km<sup>2</sup> reservoir): index 0.61
- Low population on banks of Madeira River:
  - 1,762 people affected ,in 415 homes
- Management of construction: Furnas and Cemig (being decided)
- EPC Group
  - Construction leaders:
    - Norberto Odebrecht and Andrade Gutierrez
  - Manufacturers of rotors and generators:
    - Alstom, VA Tech Hydro and Voith

- 3,150 MW of installed capacity
- 2,218 MWAverage of energy > Capacity Factor (CF) of 69%;
- Price: R\$78.87/MWh (equivalent to R\$99/MWh for a traditional 55% CF Hydro Power in Brazil)
- Winner consortium:
  - 10% Cemig
  - 39% Furnas
  - 20% Equity Fund (Santander-Banif)
  - 17.6% Odebrecht
  - 12.4% Andrade Gutierrez
- Start-up schedule:
  - 140 MW in 2012; 860 MW in 2013; 860 MW in 2014; 860 MW in 2015 and 430 MW in 2016
- Installation license granted on 08/12/08

# Santo Antônio Hydro Plant: model's assumptions



## Scenario

## Impact on IRR

|  |               |
|--|---------------|
| <b>IRR on initial base case – including bringing forward completion date</b> | <b>11.12%</b> |
|--|---------------|

|  |         |
|--|---------|
| A. Increase in assured energy – 2%<br>(power gain) | + 0.54% |
|--|---------|

|                                 |               |
|---------------------------------|---------------|
| <b>Base case rate of return</b> | <b>11.66%</b> |
|---------------------------------|---------------|

|               |         |
|---------------|---------|
| B. Releverage | + 0.84% |
|---------------|---------|

|   |               |
|---|---------------|
| <b>Target return rate of the investment</b> | <b>12.50%</b> |
|---|---------------|

|                              |         |
|------------------------------|---------|
| C. Additional Fiscal Credits | + 1.23% |
|------------------------------|---------|

|   |         |
|---|---------|
| D. Additional increase in assured energy<br>(for each 1% of additional gain, up to 10%) | + 0.19% |
|---|---------|

# Belo Monte Hydro Plant – Basic information



- ✓ Location: Rio Xingu, Para State
- ✓ Installed Capacity:
  - Main power house = 11,000 MW
  - Additional power house = 181.3 MW
- ✓ Generation units:
  - Main power house = 20 X 550 MW
  - Additional power house = 7 X 25.9 MW
- ✓ Assured energy: 4,796 average MW
- ✓ Flooded area: 440 Km<sup>2</sup>
- ✓ Construction time:
  - Initial Startup: 60 month
  - Full operation: 120 month

**Auction expected for 4Q09**

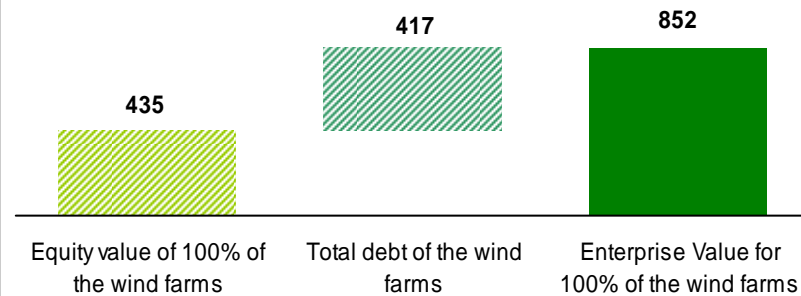
# Acquisition of holdings in wind farms: The Transaction

## The Transaction

- Acquisition of 49% stockholdings in three wind farms (99.6MW) in the Brazilian State of Ceará, currently owned by **Energimp S.A.** (IMPSPA).
- Price paid for the shares: R\$ 213 million, to be paid to IMPSPA after approval by Aneel, the Caixa Econômica Federal (“CEF”) and Eletrobrás.
- Cemig has no project completion risk in relation to the wind farms.
- Stockholders’ Agreement between Cemig and IMPSPA sets the conditions for governance and management.

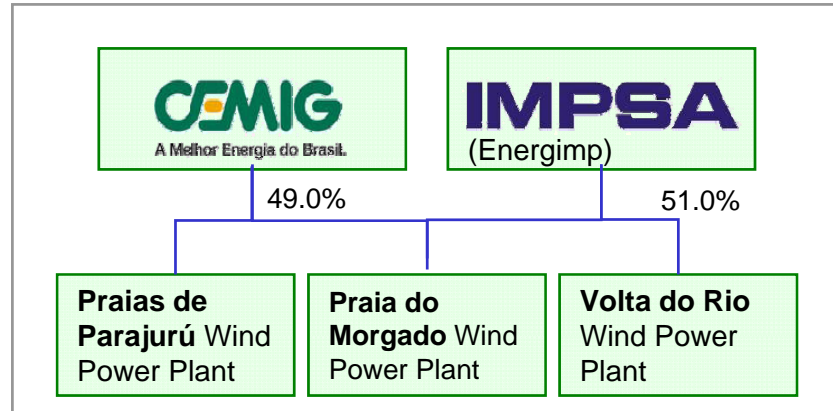
## Equity + debt: components of EV

- R\$ million



\* Includes interest on financing by CEF, pro-rata, up to estimated operational startup dates.

## Resulting stockholding structure

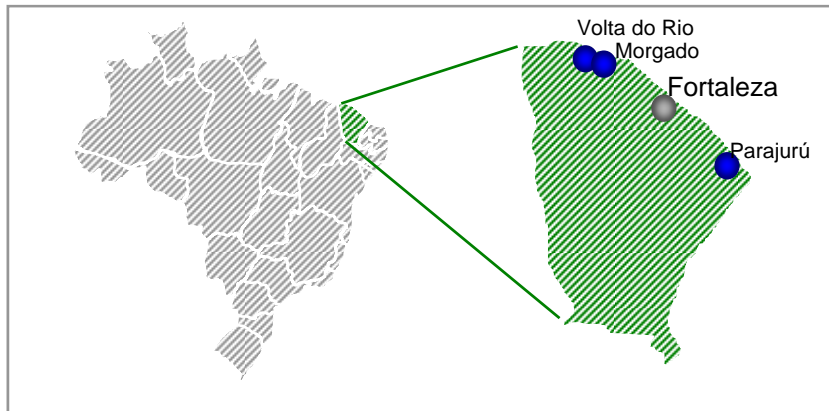


## Principal financing

- Creditor: Caixa Econômica Federal (CEF)
  - Amount: R\$ 376 million
  - Tenor: 12 years
  - Rate: TJLP +2.5% p.a.
  - Grace period: 6 months

# Acquisition of holdings in wind farms: The Assets

## Locations



## Volta do Rio Wind Power Plant

- Location: **Acaraú** (240km from Fortaleza), Ceará
- Equipment: 28 rotors of 1,500KW each
- Installed capacity: 42.0MW
- Load factor : >45%
- Energy contracted: 161.2GWh / year
- Cliente (Proinfa): Eletrobrás
- Price of electricity: Proinfa
- Concession period: 30 years

## Praias de Parajuru Wind Power Plant

- Location: Beberibe (102km from Fortaleza), Ceará
- Equipment: 19 rotors of 1,516KW each
- Installed capacity: 28.8MW
- Load factor: >45%
- Energy contracted : 106.6GWh / year
- Client (Proinfa): Eletrobrás
- Price of electricity: Proinfa
- Concession period : 30 years

## Praia do Morgado Wind Power Plant

- Location: **Acaraú** (240km from Fortaleza), Ceará
- Equipment: 19 rotors of 1,516KW each
- Installed capacity: 28.8MW
- Load factor : >45%
- Energy contracted : 115.6GWh / year
- Client (Proinfa): Eletrobrás
- Price of electricity: Proinfa
- Concession period : 30 years



# Power Transmission: Cemig



|              | 2005  | 2006  | 2007  | 2008  | 1Q09  |
|--------------|-------|-------|-------|-------|-------|
| 525-Kv lines | 0     | 0     | 0     | 51    | 51    |
| 500-kV lines | 2,165 | 2,592 | 2,488 | 2,788 | 2,788 |
| 345-kV lines | 1,976 | 1,969 | 2,001 | 2,001 | 2,001 |
| 230-kV lines | 751   | 803   | 824   | 915   | 915   |
| Sub-Total    | 4,892 | 5,364 | 5,313 | 5,755 | 5,755 |
| Terna        |       |       |       |       | 3,753 |
| Total        | 4,892 | 5,364 | 5,313 | 5,755 | 9,508 |

- Start-up of Furnas – Pimenta transmission line in 2009:
  - 345 kV, 75 km
- Start-up of Charrúa – Nueva Temuco transmission line in 2009:
  - 220 kV, 205 km
- With acquisition of Terna Participações S.A
  - Cemig Corporation will stand for 12% of Brazil's transmission capacity and
  - will be the third second transmission company.
- Acquisition of the interest held by Brookfield in TBE (still depends of the approval by ANEEL)

# Power Transmission tariff review and auctions

- **Allowed return on asset approach (existing assets in 1995):**
  - Benchmark WACC: currently 8.45%;
  - Tariff review: WACC enlarged to 9.18%;
  - Asset base review every 10 years (2 cycles)
- **2008 Auctions**
  - **June 27<sup>th</sup> auction results:**
    - Average discount of 20.18%
    - 3,000 km (19 lines and 20 substations) to be added to the National Grid among 12 Brazilian States
    - Estimated total investment of R\$ 2.86 billion
    - Operational start-up ranging from 15 to 36 months
    - **Cemig's consortia won a set of 5 lines, with 775 km and 2 substations, operating at 230 kV, annual revenue of R\$ 26 million (EBTE)**
  - **October 3<sup>rd</sup> auction results:**
    - Average discount of 37.62%
    - 356 km (6 lines and 7 substations) to be added to the National Grid among 6 Brazilian States
    - Estimated total investment of R\$ 500 million
    - Operational start-up ranging from 16 to 24 months
  - **November 30<sup>th</sup> auction results (Madeira complex transmission lines)**
    - Average discount of 7.15%
    - 2,300 km of transmission lines
    - Estimated total investments of R\$ 7 billion
- **2009 Auctions**
  - **May, 8<sup>th</sup>**
    - 12 lots totaling 2,492.5km of lines
    - 19 transmission lines and 8 substations
    - Total RAP (max): R\$ 229.4 million
  - **Cemig won, through ETEP, the Santos Dumont Substation**
    - 345/138 KV
    - RAP: R\$ 8.32 million
    - Startup: November 2010

The criteria of this Tariff Review were set by Aneel Normative Resolution 257/07, the principal ones being:

- a. **WACC:** 9.18% p.a.
- b. **Operational Costs:** Defined by application of efficiency parameters, obtained by the DEA benchmarking method, to companies' real costs.

With the valuation opinion for the assets, Aneel put the results of the first Tariff Review to public consultation AP-17/2009, effects to be backdated to June 2005. The amounts proposed are in Technical Note (NT) 165 – SRE of May 13, 2009.

The result of the public consultation will **substitute** the figures homologated by Aneel Homologating Resolution 493/2007, of June 26, 2007.

# THE 1<sup>st</sup> TRANSMISSION TARIFF REVIEW



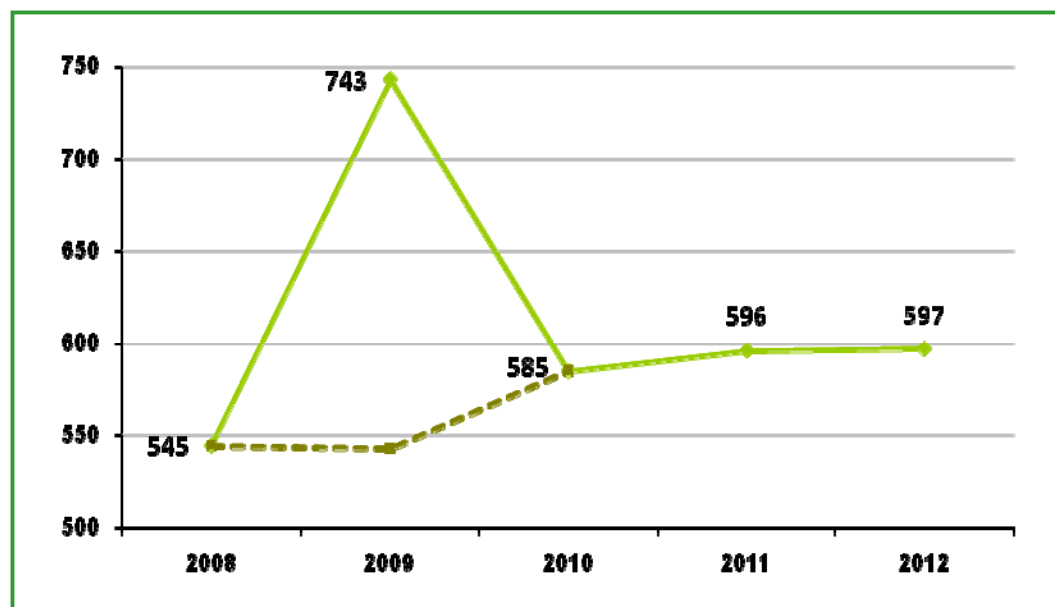
Aneel's proposal to the public consultation is:

| DESCRIPTION                                  | PREVIOUS VALUE (R\$) | REVIEW VALUE (R\$) |
|--|----------------------|--------------------|
| Total Annual Permitted Revenue (RBSE + RBNI) | 316,107,885.62       | 360,192,923.44     |
| <b>Tariff Repositioning Percentage</b>       |                      | <b>13.95%</b>      |

- R\$ 44 million added to the RAP for 2005.
- Backdated payment, including monetary updating: R\$ 200 ~ R\$ 250 million.
- RAP for 2009 (without charges/taxes) goes from R\$ 404 million to R\$ 494 million.
- Gross base: R\$ 3.0 billion
- Net base: R\$ 1.3 billion

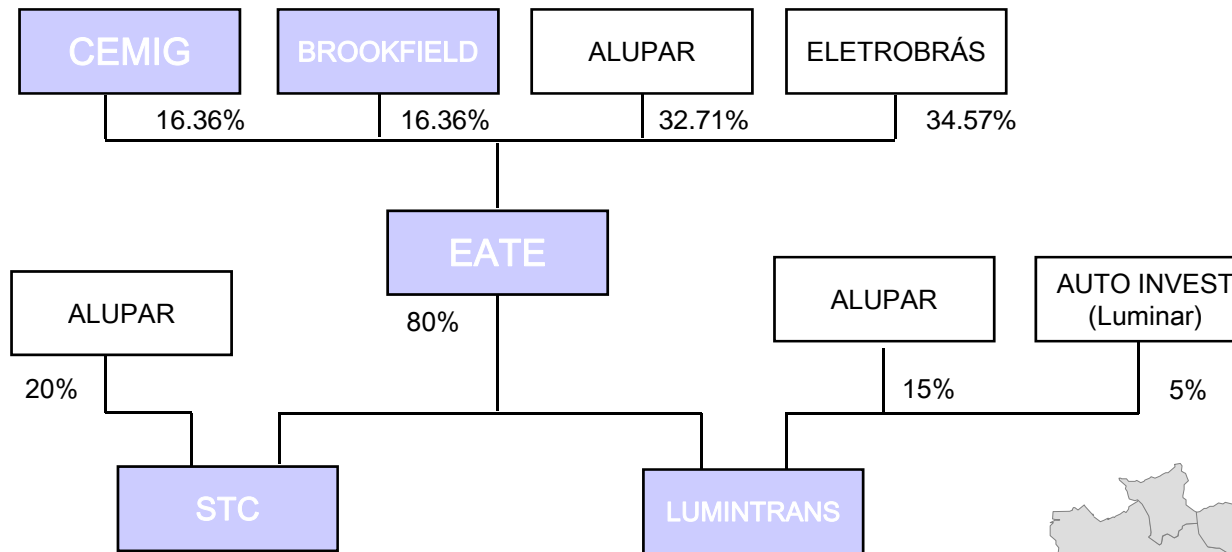
The financial effects of this review are taken into account in Cemig's Guidance for 2009.

## CHANGE IN TRANSMISSION REVENUE





- ✓ **Transmission Tariff Review:**
  - Accounting effect (in income statement) recognized in full in 2009.
  - Financial impact (cash) deferred, over four years, starting 2009.
  - To be confirmed by ANEEL until July/09
- ✓ **Increase of strengthening funds for new facilities in the period.**

# Acquisitions by Empresa Amazonense de Transmissão de Energia - EATE (TBE)



Participations in EATE: Position as of March 31, 2008



-  STC (Barra Grande – Lages – Rio do Sul)
-  Lumitrans (Machadinho – Campos Novos)

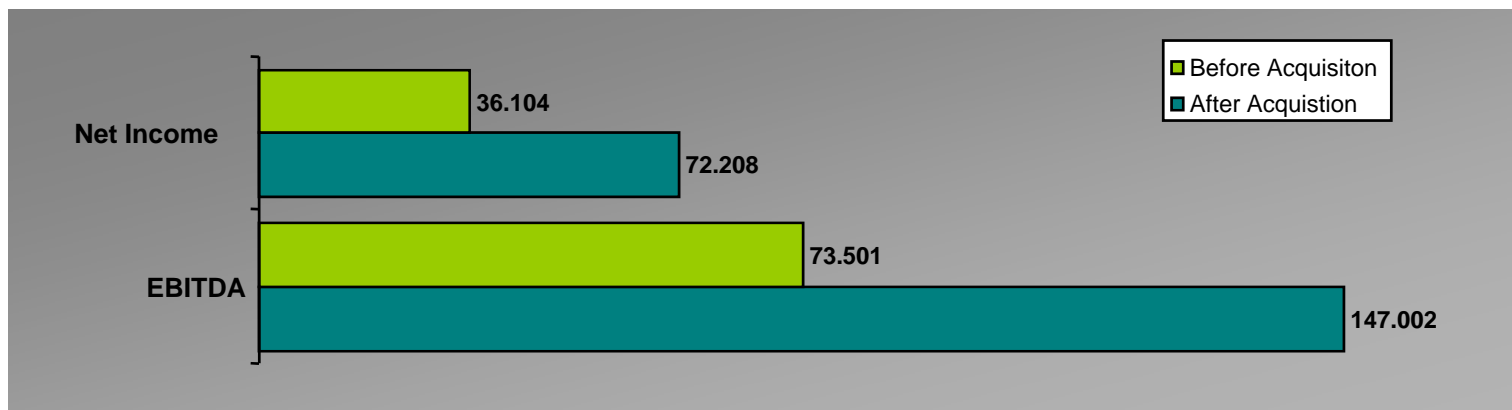
- ✓ Conclusion of the operation subject to meeting certain conditions established in the contracts, including, among others, approval of the operation by ANEEL, BNDES and other financing entities. In addition, the operation must be submitted to Cade.

# Acquisition of Brookfield's interest in TBE



2008  
R\$ million

| Company | Before Acquisition |                    |        |            | After Acquisition |                    |         |            |
|---------|--------------------|--------------------|--------|------------|-------------------|--------------------|---------|------------|
|         | % Share Cemig      | % Vote Share Cemig | EBITDA | Net Income | % Share Cemig     | % Vote Share Cemig | EBITDA  | Net Income |
| EATE    | 16.89%             | 25.00%             | 38.882 | 18.295     | 33.79%            | 49.99%             | 77.764  | 36.570     |
| ECTE    | 7.49%              | 7.49%              | 3.450  | 1.719      | 14.99%            | 14.99%             | 6.900   | 3.438      |
| ETEP    | 19.06%             | 25.00%             | 8.671  | 5.526      | 37.64%            | 49.99%             | 17.342  | 11.052     |
| ENTE    | 18.34%             | 18.34%             | 19.175 | 8.896      | 36.69%            | 36.69%             | 38.350  | 17.792     |
| ERTE    | 18.34%             | 18.34%             | 3.323  | 1.669      | 36.69%            | 36.69%             | 6.766   | 3.338      |
| TBE     | 16.60%             | 19.52%             | 73.501 | 36.104     | 33.19%            | 39.05%             | 147.002 | 72.208     |



The acquisition offers an IRR upper 13%

## Description of TBE group

Concession: 30 years

| Company          | Stretch                                | Lenght (Km) | Capacity (kV) | Operation | RAP * (R\$ MM) |
|------------------|--|-------------|---------------|-----------|----------------|
| <b>ECTE</b>      | Blumenau (SC) to Campos Novos (SC)     | 253         | 500           | mar/03    | 57.1           |
| <b>EATE</b>      | Tucuruí (PA) to Presidente Dutra (MA)  | 928         | 500           | feb/03    | 253.9          |
| <b>ETEP</b>      | Tucuruí (PA) to Vila do Conde (PA)     | 324         | 500           | aug/02    | 58.9           |
| <b>ENTE</b>      | Tucuruí (PA) to Açailândia (MA)        | 459         | 500           | feb/05    | 131.8          |
| <b>ERTE</b>      | Vila do Conde (PA) to Santa Maria (PA) | 155         | 230           | sept/04   | 23.3           |
| <b>STC</b>       | Barra Grande (SC) to Rio do Sul (SC)   | 184         | 230           | nov/07    | 20.1           |
| <b>LUMITRANS</b> | Machadinho (SC) to Campos Novos (SC)   | 40          | 525           | oct/07    | 12.5           |
| <b>TOTAL</b>     |  |             |               |           | <b>557.7</b>   |

\* Aneel Resolution n.670/2008 dated 06/24/2008. The figures from STC and Lumitrans reflects the 80% stake of EATE in these companies (80% of RAP)

RAP = Annual Permitted Revenue



- Acquisition of 65.86% of Terna Participações S.A. (“Terna Part.”) from Terna S.p.A. for R\$2,330.5MM (R\$40.29 per unit<sup>(1)</sup>)
  - Price will be adjusted for any dividends distributed until the closing date
  - Closing on Sep. 30, 2009 or later, depending on the timing of regulatory and other approvals.
- Mandatory tender offer for the minority shareholders at the same price paid to Terna S.p.A., as required by the Level 2 of Corporate Governance in Bovespa and the Terna Part. By-Laws

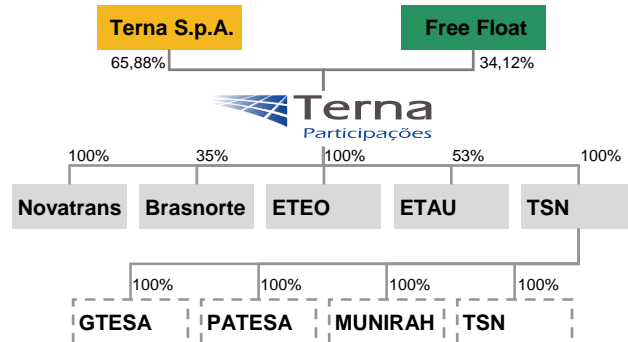
### Notes

1. Equivalent to approximately R\$13.43 per share

# Terna Part. Overview

## Corporate Structure

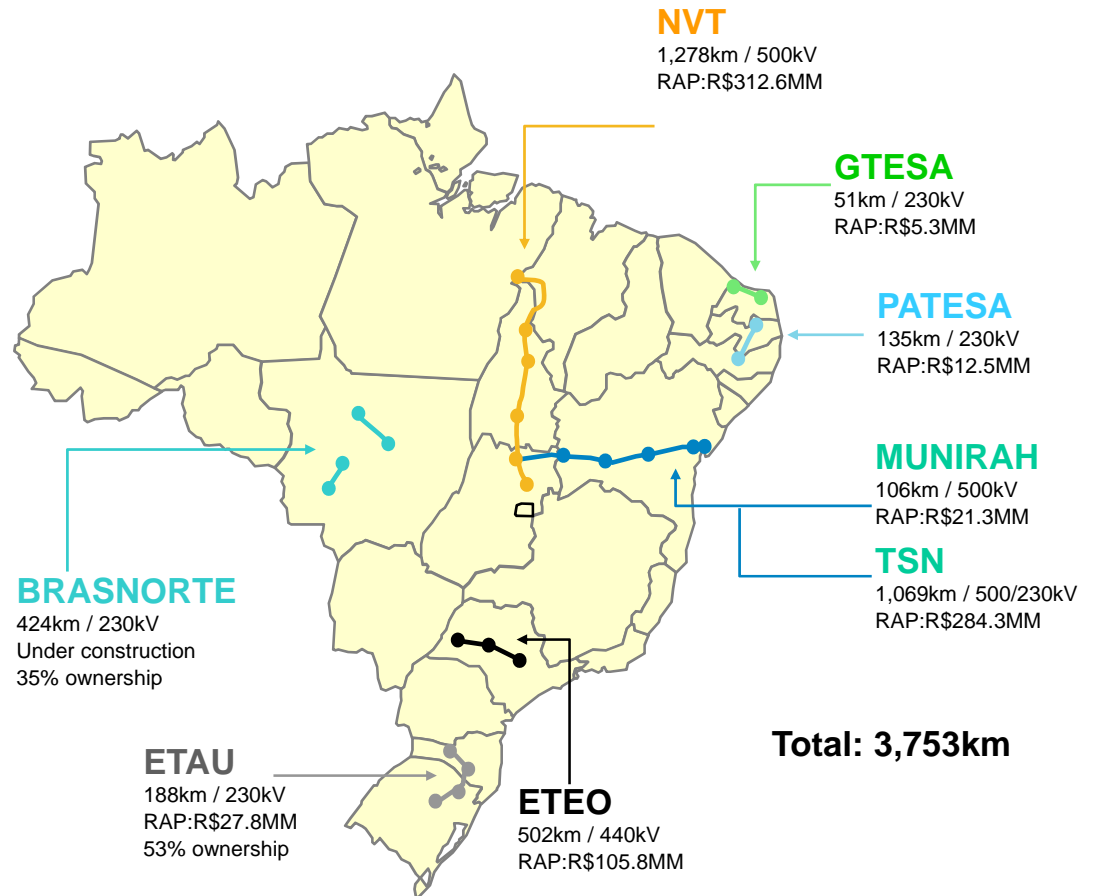
Before the Transaction



## Overview of Concessions

| Line      | Start-up Date      | Concession Term |
|-----------|--------------------|-----------------|
| TSN       | abr-03             | dez-30          |
| GTESA     | jul-03             | jan-32          |
| PATESA    | mar-04             | dez-32          |
| Munirah   | nov-05             | fev-34          |
| Novatrans | abr-04             | dez-30          |
| ETAU      | mai-05             | dez-32          |
| ETEO      | out-01             | mai-30          |
| Brasnorte | under construction | mar-38          |

## Geographic Footprint



- Expansion of CEMIG's transmission portfolio:
  - Lower regulatory risk
  - Stable cash flow, with defensive profile
- High quality assets:
  - Facilities planned and built according to world-class standards of quality and reliability
  - All assets started operations within the last six years and have long remaining concession terms
- Favorable returns and lower risks as compared to greenfield transmission projects, given low returns observed in recent auctions:
  - IRR of 10.6% (in real terms) for the Base Case and above 12% (in real terms) considering potential synergies and goodwill amortization
  - Price paid equals to 8.1x 2009 EBITDA<sup>(1)</sup>, in line with precedent transactions in the Brazilian market

## Notes

1. Based on an EBITDA of R\$608MM, according to I/B/E/S Consensus as of April 20, 2009. Source: FactSet

## Impacts to CEMIG Financials

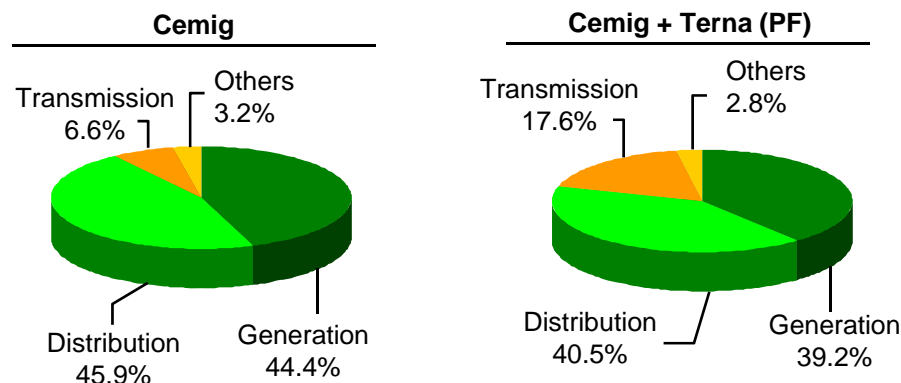
Position as of Dec. 31, 2008 - In R\$ Million

|                           | CEMIG<br>Consol. | Terna<br>Part.<br>PF <sup>(1)</sup> | CEMIG +<br>Terna<br>Part. |
|---------------------------|------------------|-------------------------------------|---------------------------|
| <b>Operational</b>        |                  |                                     |                           |
| Transmission Lines (km)   | 5,755            | 3,753                               | 9,508                     |
| <b>Income Statement</b>   |                  |                                     |                           |
| Net Revenues              | 10,890           | 662                                 | 11,552                    |
| EBITDA                    | 4,099            | 564                                 | 4,663                     |
| Net Income                | 1,887            | 188                                 | n.a.                      |
| <b>Balance Sheet</b>      |                  |                                     |                           |
| Gross Debt <sup>(2)</sup> | 7,344            | 1,670                               | 10,967                    |
| Net Debt <sup>(2)</sup>   | 5,060            | 1,369                               | 9,967                     |
| Shareholders' Equity      | 9,352            | 1,476                               | 9,352                     |
| <b>Leverage Ratios</b>    |                  |                                     |                           |
| Net Debt/EBITDA           | 1.2x             | 2.4x                                | 2.1x                      |
| Net Debt/Capitalization   | 35.1%            | 48.1%                               | 51.6%                     |

### Notes

1. Pro-forma numbers assuming the acquisition of ETEO had been effective on Jan. 1st, 2008, calculated as the sum of financials results of all Terna Part.'s subsidiaries
2. Net Debt including acquisition disbursement of R\$3,538 million, assuming minimum cash of R\$1,000 million after the closing of the transaction and 100% participation in mandatory tag along offer.

## EBITDA by Segment (2008)



Source Cemig e Terna Part.

## Market Share (Based on 2008/2009 RAP)

|              | Before the Transaction |             | After the Transaction |              |              |
|--------------|------------------------|-------------|-----------------------|--------------|--------------|
|              | R\$MM                  | %           | R\$MM                 | %            |              |
| Eletrobras   | 4,902                  | 47.0%       | 4,902                 | 47.0%        |              |
| CTEEP        | 1,718                  | 16.5%       | 1,718                 | 16.5%        |              |
| <b>Terna</b> | <b>756</b>             | <b>7.2%</b> | <b>CEMIG+Terna</b>    | <b>1,318</b> | <b>12.6%</b> |
| Plena        | 638                    | 6.1%        | Plena                 | 638          | 6.1%         |
| <b>CEMIG</b> | <b>562</b>             | <b>5.4%</b> | Abengoa               | 432          | 4.1%         |
| Abengoa      | 432                    | 4.1%        | Alusa                 | 356          | 3.4%         |
| Alusa        | 356                    | 3.4%        | CYMI                  | 112          | 1.1%         |

Source ANEEL

# Electricity Distribution: Cemig



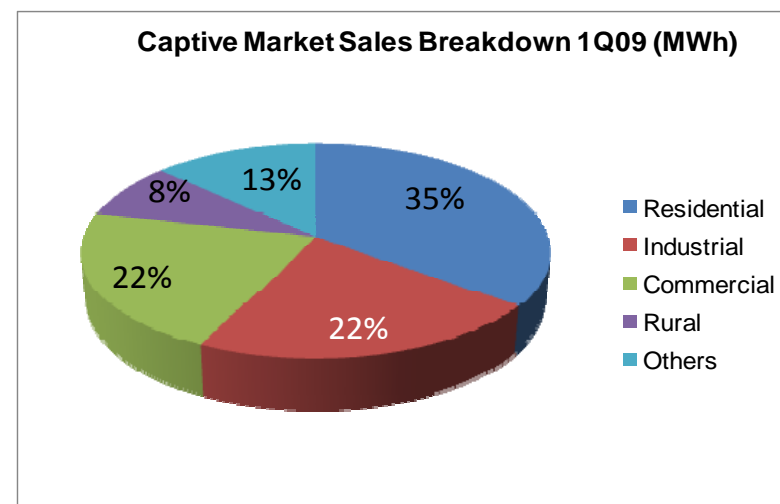
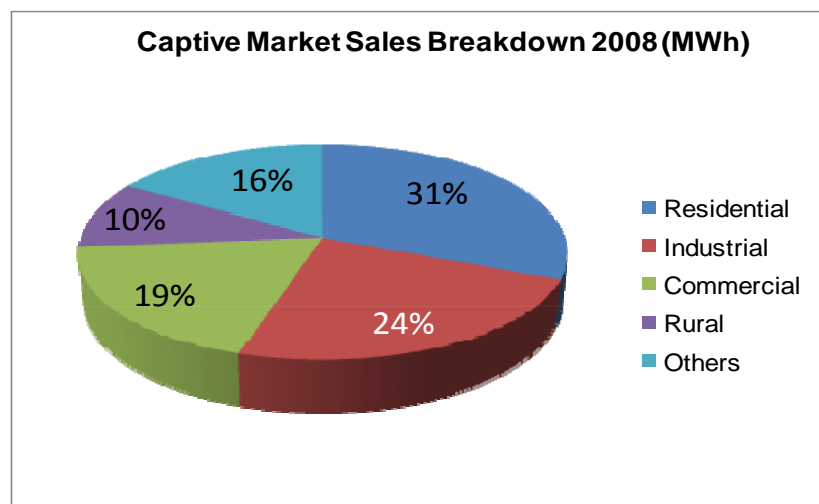
(March/2009)

| Cemig - Length of network, km                | 2005    | 2006    | 2007    | 2008    | 1Q09    |
|--|---------|---------|---------|---------|---------|
| <b>SUB-TRANSMISSION</b>                      | 16,040  | 16,788  | 16,676  | 16,810  | 16,896  |
| 161-kV lines                                 | 55      | 55      | 55      | 55      | 55      |
| 138-kV lines                                 | 10,521  | 11,254  | 11,145  | 11,254  | 11,340  |
| 69-kV lines                                  | 4,481   | 4,513   | 4,510   | 4,535   | 4,535   |
| Lines below 69 kV                            | 983     | 966     | 966     | 966     | 966     |
| <b>DISTRIBUTION</b>                          | 379,400 | 402,539 | 429,560 | 442,749 | 443,773 |
| Overhead distribution network                | 83,826  | 92,083  | 90,524  | 91,550  | 91,982  |
| Underground urban distribution network       | 759     | 1,767   | 1,049   | 1,380   | 1,444   |
| Overhead distribution network in rural areas | 294,815 | 308,689 | 337,987 | 349,819 | 350,347 |
| <b>TOTAL</b>                                 | 395,440 | 419,327 | 446,236 | 459,559 | 460,669 |

- Cemig supplies 10% of Brazil's captive market
- Largest distribution company (by km of lines, number of consumers and transported energy)

# Cemig Distribuição Captive Market Sales Breakdown 2008 and 1Q09

| Type of Consumer | GWh 2008      | GWh 2007      | 2008/2007   | GWh 1Q09     | GWh 1Q08     | 1Q09/1Q08   |
|------------------|---------------|---------------|-------------|--------------|--------------|-------------|
| Residential      | 7,164         | 6.813         | 5.1%        | 1,905        | 1,730        | 10.1%       |
| Industrial       | 5,563         | 4.830         | 15.1%       | 1,183        | 1,225        | (-3.4%)     |
| Commercial       | 4,391         | 4.078         | 7.6%        | 1,160        | 1,085        | 6.9%        |
| Rural            | 2,296         | 2.200         | 4.3%        | 452          | 453          | (0.2%)      |
| Others           | 2,844         | 2.773         | 2.5%        | 708          | 682          | 3.8%        |
| <b>Total</b>     | <b>22,258</b> | <b>20.694</b> | <b>7.5%</b> | <b>5,408</b> | <b>5,175</b> | <b>4.5%</b> |



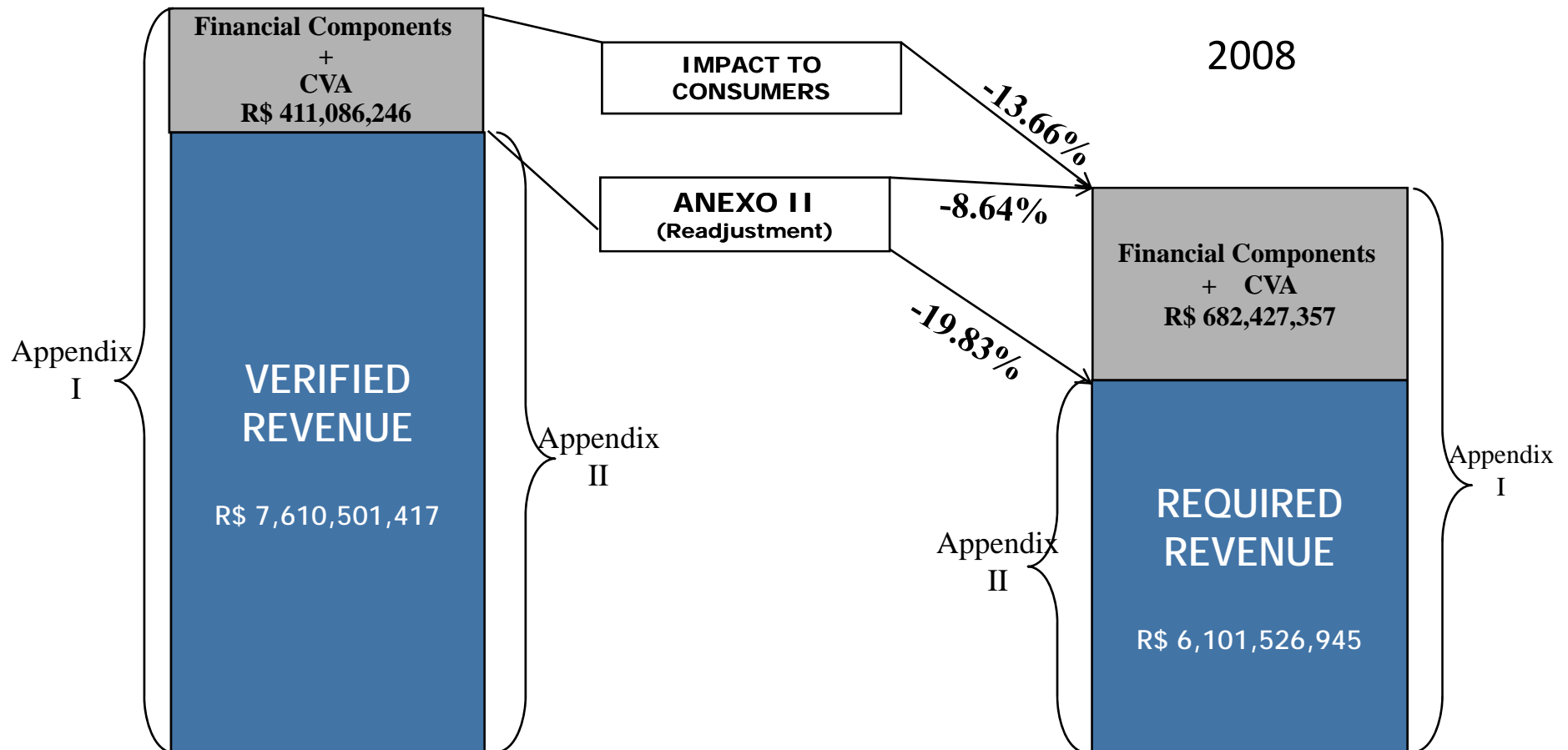
- ✓ Portfolio of consumers shows a balanced participation of the different types of consumers

- Allowed return on asset approach:
  - Benchmark WACC: was 11.26%;
  - Tariff review: WACC of 9.95%.
- New Tariff Review methodology:
  - Reference company model disclosed:
    - Black box opened.
  - Asset base review every 10 years (2 cycles): CEMIG in 2013;
  - Regulatory energy losses and delinquency rate specific for each concession area;
  - Special obligation financed asset depreciation will be granted in the long run;
  - X Factor: excluded the influence of Consumers Satisfaction Index.
- Cemig Distribution 2<sup>nd</sup> tariff review:
  - 2008 Result: -12.24%
  - 2009 Final result: -13.66%
    - Regulatory Ebitda Margin: 21%
    - Losses coverage: sufficient
    - Market Growth: 3.17% p.a. ( less risk than in 2003)
    - X Factor (Xe) : 0.14%

# Cemig D 2008 review final result and hypothetical Impact on Tariff

2007

2008

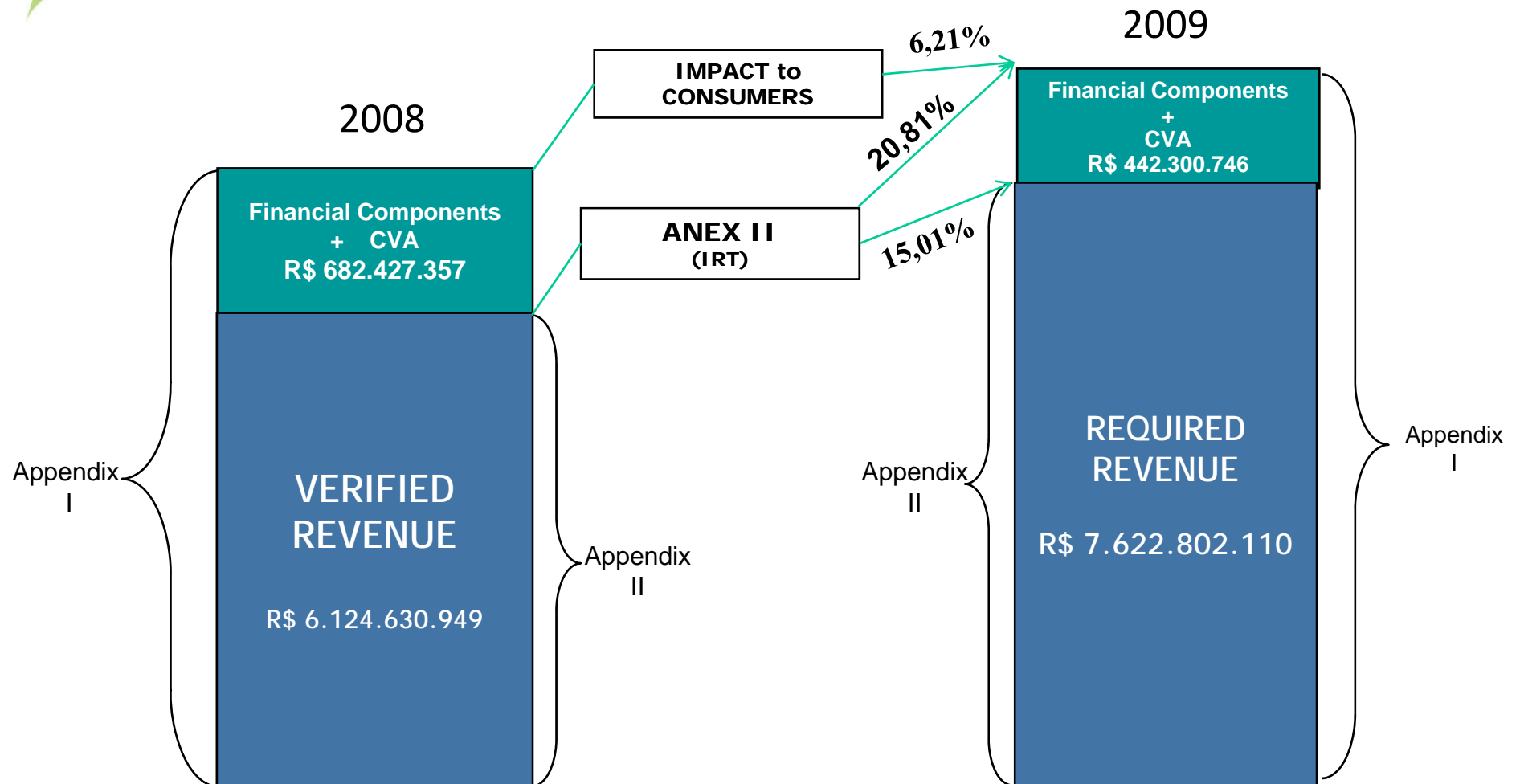


Appendix I: Tariffs billed to consumers, including RTE, CVA and financial components, without taxes.

Appendix II: Tariffs considered "clean", base for posterior readjustments, without taxes (ICMS, Pasep/Cofins)



# Cemig D 2009 readjustment and Impact on Tariff



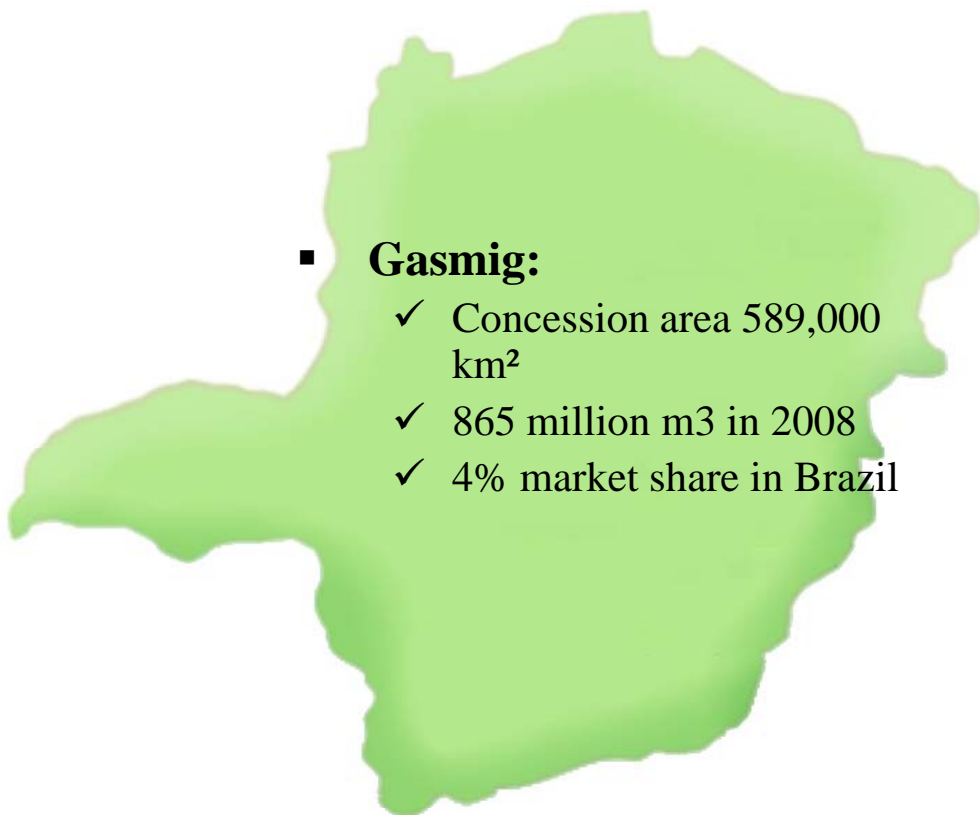
Appendix I: Tariffs billed to consumers, including RTE, CVA and financial components, without taxes.

Appendix II: Tariffs considered “clean”, base for posterior readjustments, without taxes (ICMS, Pasep/Cofins)

# 1<sup>st</sup> Review 2003 vs 2<sup>nd</sup> Review 2008/2009



| 1 <sup>st</sup> Tariff Review 2003  | 2 <sup>nd</sup> Tariff Review 2008   | 2 <sup>nd</sup> Tariff Review 2009<br>Final  |
|---|--|--|
| <ul style="list-style-type: none"> <li>• Regulatory Ebitda Margin: 21.2%</li> <li>• Losses coverage: inadequate</li> <li>• Market Growth: 3.7% p.a. (with risk of being lower; at the time, was 2.0% p.a.)</li> <li>• X Factor (Xe): 1.25%</li> </ul> | <ul style="list-style-type: none"> <li>• Regulatory Ebitda Margin: 21%</li> <li>• Losses coverage: sufficient</li> <li>• Market Growth: 3.17% p.a. ( less risk than in 2003)</li> <li>• X Factor (Xe) : 0.84%</li> </ul> | <ul style="list-style-type: none"> <li>• Regulatory Ebitda Margin: 21%</li> <li>• Losses coverage: sufficient</li> <li>• Market Growth: 3.17% p.a. ( less risk than in 2003)</li> <li>• X Factor (Xe) : 0.14%</li> </ul> |



- **Gasmig:**
  - ✓ Concession area 589,000 km<sup>2</sup>
  - ✓ 865 million m<sup>3</sup> in 2008
  - ✓ 4% market share in Brazil

**6th**  
largest Brazilian  
distributor of gas

| Balance Sheet – consolidated (R\$ million) | 1Q09 | 1Q08 | 1Q09/1Q08 |
|--|------|------|-----------|
| Net Revenues                               | 131  | 167  | -21.95%   |
| Ebitda                                     | 21   | 25   | -15.96%   |
| Net Income                                 | 18   | 19   | -4.54%    |
| Net Margin                                 | 18%  | 15%  | 23.53%    |
| Ebitda Margin                              | 21%  | 19%  | 8.75%     |
| Number of customers                        | 262  | 264  | -0.76%    |
| Number of employees                        | 197  | 193  | 2.07%     |

# Natural Gas Expansion: Cemig's consortium wins Brazilian Oil and Gas Bids



- ✓ Strategic initiative seeks means to ensure supply of natural gas for distribution, through Gasmig, and for thermal power generation

## Consortium Structure

- ✓ Cemig's stake in the consortium of 24.5%
- ✓ Private partners provide expertise (51% as a whole)
  - ✓ Orteng Equipamentos e Sistemas
  - ✓ Comp Exploração e Produção de Petróleo e Gás
  - ✓ Delp Engenharia Mecânica
- ✓ Companhia de Desenvolvimento de Minas Gerais, 24,5%

## Winning Bid

- ✓ Signature Bonus of R\$ 11.3 million to be paid as of the signature of the Concession Contracts (expected date: april/2009)
- ✓ Minimum Exploratory Program of R\$ 25.6 million. Represents a commitment, with the Oil and Gas National Agency, to investment over the next 4 to 5 years

| Exploratory Block | Location   | Characteristics | Expected Fluid  | Winning bids               |  |            | Qualified Operator |
|-------------------|--|-----------------|-----------------|----------------------------|--|------------|--------------------|
|                   |  |                 |                 | Signature Bonus (R\$ '000) | Minimum Exploratory Program (R\$ '000) | Total Bid  |                    |
| POT-T-603         | Potiguar basin of the State of Rio Grande do Norte     | Mature basin    | Light crude oil | R\$ 2,001                  | R\$ 4,038                              | R\$ 6,039  | SIPET              |
| REC-T-163         | Recôncavo basin of the State of Bahia                  | Mature basin    | Light crude oil | R\$ 2,501                  | R\$ 4,470                              | R\$ 6,971  | COMP               |
| SF-T-104          | São Francisco River basin of the State of Minas Gerais | New frontier    | Dry gas         | R\$ 4,000                  | R\$ 6,530                              | R\$ 10,530 | COMP               |
| SF-T-114          | São Francisco River basin of the State of Minas Gerais | New frontier    | Dry gas         | R\$ 2,001                  | R\$ 6,530                              | R\$ 8,531  | Orteng             |
| SF-T-120          | São Francisco River basin of the State of Minas Gerais | New frontier    | Dry gas         | R\$ 401                    | R\$ 2,000                              | R\$ 2,401  | COMP               |
| SF-T-127          | São Francisco River basin of the State of Minas Gerais | New frontier    | Dry gas         | R\$ 401                    | R\$ 2,000                              | R\$ 2,401  | Orteng             |

# CAPEX (R\$ Million)

| Business (1)          | 2007         | 2008         |
|-----------------------|--------------|--------------|
| <b>Generation</b>     | 279          | 205          |
| <b>Transmission</b>   | 78           | 105          |
| <b>Distribution</b>   | 734          | 715          |
| <b>RME</b>            | 127          | 168          |
| <b>Sale of Way TV</b> | (49)         | -            |
| <b>Others</b>         | 16           | 160          |
| <b>Total Invested</b> | <b>1,185</b> | <b>1,353</b> |

(1) Total amounts realized during the year, considering basic investments, holdings contributions and expansion

| Business (2)                               | 1Q09          | 2009 <sup>(3)</sup> | 2010         | 2011         | 2012         |
|--|---------------|---------------------|--------------|--------------|--------------|
| <b>CEMIG Generation &amp; Transmission</b> | <b>5.8</b>    | <b>132.8</b>        | <b>87.7</b>  | <b>88.6</b>  | <b>100.9</b> |
| Generation                                 | 4.8           | 72.2                | 47.8         | 55.5         | 65.0         |
| Transmission                               | 0.9           | 33.3                | 7.7          | 10.9         | 13.4         |
| Environment                                | 0.02          | 6.8                 | 11.8         | 4.4          | 4.1          |
| Others                                     | 0.07          | 20.6                | 20.4         | 17.7         | 18.4         |
| <b>CEMIG Distribution</b>                  | <b>101.5</b>  | <b>836.8</b>        | <b>608.7</b> | <b>551.6</b> | <b>570.8</b> |
| Sub-transmission                           | 40.5          | 380.6               | 226.8        | 188.0        | 179.6        |
| Distribution                               | 58.3          | 331.1               | 271.0        | 255.0        | 260.6        |
| Environment                                | 0.6           | 5.8                 | 10.1         | 10.3         | 11.0         |
| Others                                     | 2.09          | 119.2               | 100.7        | 98.3         | 119.7        |
| <b>CEMIG Holding Company</b>               | <b>0.0</b>    | <b>0.7</b>          | <b>0.7</b>   | <b>0.7</b>   | <b>0.7</b>   |
| Others                                     | 0.0           | 0.7                 | 0.7          | 0.7          | 0.7          |
| <b>Total Investments</b>                   | <b>170.29</b> | <b>970.2</b>        | <b>697.0</b> | <b>640.9</b> | <b>672.4</b> |

(2) Values estimated as of 2009 conform with company planning for June 2009 prices. They consider basic investments to keep the distribution, generation, transmission and holding companies operating.

(3) The Cresce Minas Program is included in these investments

✓ Additional investments already approved for 2009, pending approval of ANEEL regarding the following acquisitions:

- Increased share in TBE: R\$ 507 million
- Acquisition of 49% in three wind plants: R\$ 213 million
- Acquisition of 65.86% of Terna Participações S.A: R\$ 2.33 billion

# Planned expansion

## Power Generation Expansion

| Capacity, MW                   | CEMIG % | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         |
|--------------------------------|---------|--------------|--------------|--------------|--------------|--------------|--------------|
| Santo Antônio Hydro Plant      | 10      |              |              |              |              | 3,150        |              |
| Cachoeirão Small Hydro Plant ( | 49      | 27           |              |              |              |              |              |
| Pipoca PCH                     | 49      |              |              | 20           |              |              |              |
| Senhora do Porto PCH           | 49      |              |              | 12           |              |              |              |
| Dores de Guanhões PCH          | 49      |              |              | 14           |              |              |              |
| Jacaré JCH                     | 49      |              |              | 9            |              |              |              |
| Fortuna II PCH                 | 49      |              |              | 9            |              |              |              |
| Baguari Hydro Plant            | 34      |              | 140          |              |              |              |              |
| Wind Farm - Ceará              | 49      |              | 100          |              |              |              |              |
| Itaocara                       | 49      |              |              |              |              |              | 194          |
| Paracambi                      | 49      |              |              |              | 25           |              |              |
| Lajes                          | 49      |              |              | 18           |              |              |              |
| Capacity under construction    |         | 27           | 240          | 82           | 25           | 3,150        | 194          |
| Cemig stake (MW)               |         | 14           | 97           | 40           | 12           | 315          | 95           |
| <b>CEMIG TOTAL</b>             |         | <b>6,692</b> | <b>6,789</b> | <b>6,829</b> | <b>6,841</b> | <b>7,156</b> | <b>7,251</b> |

## Expansion of transmission

| Length of transmission network/km | CEMIG % | 2008         | 2009         | 2010          |
|-----------------------------------|---------|--------------|--------------|---------------|
| Furnas – Pimenta – 345 Kv         | 49      |              | 75           |               |
| Charrua-Nueva Temuco - 220 KV     | 49      |              | 205          |               |
| EBTE                              | 65.73   |              |              | 775           |
| Terna                             | 65.86   |              | 3,753        |               |
| Km added                          |         |              | 4,033        | 775           |
| Cemig stake (Km)                  |         |              | 3,890        | 509           |
| <b>CEMIG TOTAL</b>                |         | <b>5,755</b> | <b>9,645</b> | <b>10,154</b> |

## Planned Light for All Program – Phase 2

R\$ thousand

|                                     | 2008            | 2009            | 2010   | Total           |
|-------------------------------------|-----------------|-----------------|--------|-----------------|
| <b>Light for All Program - 2</b>    | <b>211,819</b>  | <b>254,181</b>  | -      | <b>466,000</b>  |
| Eletrobras CDE                      | 78,999          | 94,810          | -      | 173,809         |
| Eletrobras RGR                      | 67,150          | 80,588          | -      | 147,738         |
| Minas Gerais state                  | -               | 75,000          | 75,000 | 150,000         |
| Own Funds                           | 65,670          | 3,783           | -      | (5,547)         |
| <b>Target – number of consumers</b> | <b>25,000</b>   | <b>30,000</b>   | -      | <b>55,000</b>   |
| <b>R\$ per connection</b>           | <b>8,472.76</b> | <b>8,472.70</b> | -      | <b>8,472.73</b> |

(\*) Value of passthrough to tariff being negotiated with Eletrobrás and Aneel

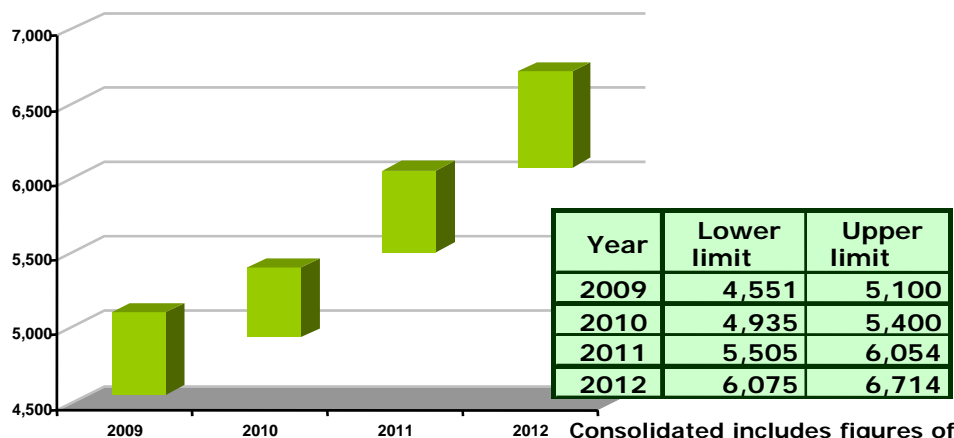
- ✓ Expansion of the *Light for Everyone* Program is made possible because of government subsidies.
- ✓ The values in this chart are indicative only and will be revised considering the real values of 2008

# EBITDA Guidance 2009/2012

(Constant as of June 2008 R\$ million)

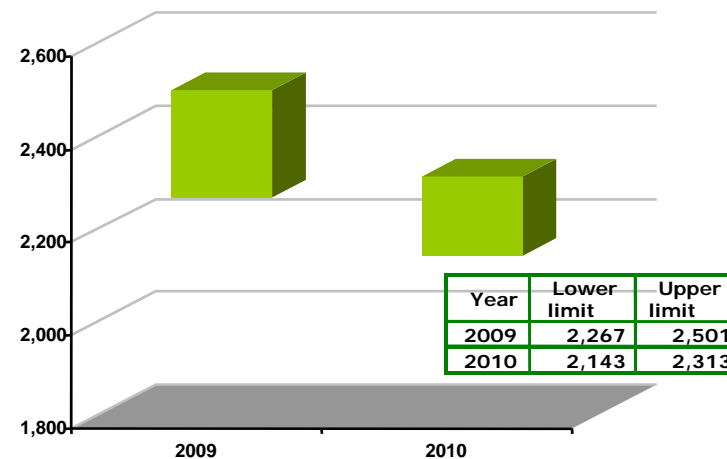
## Consolidated figures

Consolidated including amounts for Holding companies and affiliates

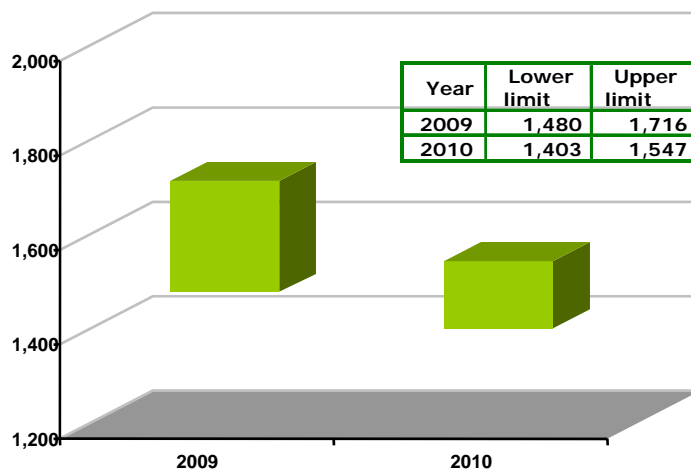


Consolidated includes figures of holding company and affiliated companies.

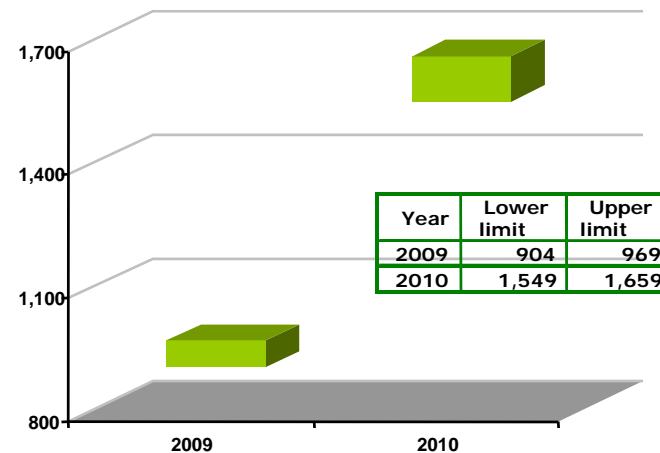
## Cemig GT



## Cemig D



## Holdings





- Summary
- Report
  - Background
  - Strategy Overview
  - Business Outlook
  - **Our Strategy shows Solid Results**
  - Market Recognition
  - Appendix – Regulatory Framework

# Large Growth in Cash Flow

## Cash Flow Statement (consolidated) Values in million of Reais

|  | 1st Q. 2009  | 1st Q. 2008  |
|--|--------------|--------------|
| <b>Cash at start of period</b>               | <b>2,284</b> | <b>2,066</b> |
| <b><i>Cash from operations</i></b>           | <b>638</b>   | <b>633</b>   |
| Net income                                   | 336          | 490          |
| Depreciation and amortization                | 171          | 201          |
| Suppliers                                    | 67           | 188          |
| Deferred Tariff Adjustment                   | 119          | 100          |
| Other adjustments                            | (55)         | (346)        |
| <b><i>Financing activity</i></b>             | <b>76</b>    | <b>(94)</b>  |
| Financing obtained                           | 192          | 21           |
| Payment of loans and financing               | (116)        | (115)        |
| <b><i>Investment activity</i></b>            | <b>(292)</b> | <b>(146)</b> |
| Investments outside the concession area      | 22           | (12)         |
| Investments in the concession area           | (337)        | (107)        |
| Special obligations - consumer contributions | 23           | (27)         |
| <b>Cash at the end of period</b>             | <b>2,706</b> | <b>2,459</b> |

- ✓ Cash position provides flexibility to financial management

## Consolidated net revenue\*

- ✓ Growth in net revenue reflects business diversification, and positive effects of acquisitions (RME/Light S.A. and TBE companies)
- ✓ Cemig Distribution provides 54% of total net revenue

### Operating Revenues (consolidated) Values in million of Reais

|                                   | 1st Q. 2009 * | 1st Q. 2008  | 2008          |
|-----------------------------------|---------------|--------------|---------------|
| Sales to end consumers            | 3,041         | 3,257        | 12,526        |
| TUSD                              | 274           | 309          | 1,432         |
|                                   | (265)         | -            | -             |
| <b>Subtotal</b>                   | <b>3,050</b>  | <b>3,566</b> | <b>13,958</b> |
| Supply + Transactions in the CCEE | 360           | 319          | 1,159         |
| Revenues from Trans. Network      | 179           | 172          | 719           |
| Gas Supply                        | 72            | 92           | 385           |
| Others                            | 66            | 54           | 267           |
| <b>Subtotal</b>                   | <b>3,727</b>  | <b>4,203</b> | <b>16,488</b> |
| Deductions                        | (1,361)       | (1,448)      | (5,598)       |
| Non-Recurring Cemig D             | 214           | -62          | -62           |
| <b>Net Revenues</b>               | <b>2,580</b>  | <b>2,693</b> | <b>10,828</b> |

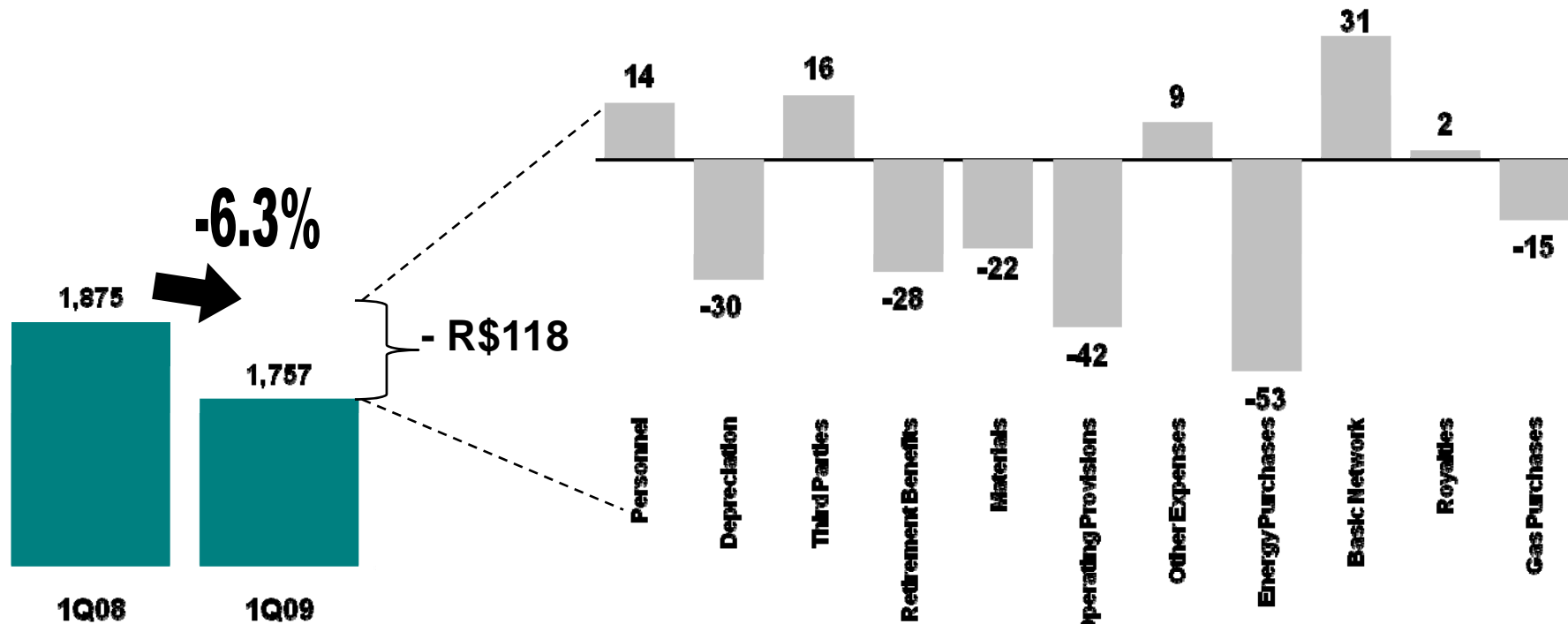
(\*) Final result of Cemig D's Second Tariff Review impacts the basis of comparison with previous quarters, with non-recurring adjustments fully recorded in 1Q09.

## Operating Expenses (consolidated) Values in R\$ million

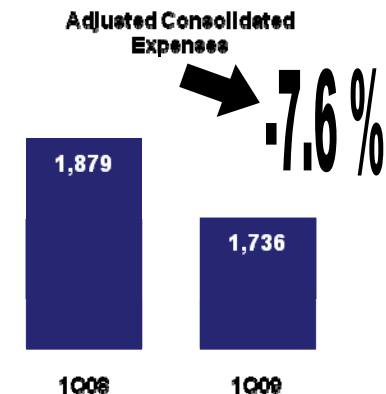
|   | 1st Q. 2009  | 1st Q. 2008 | 2008         |
|---|--------------|-------------|--------------|
| Purchased Energy                              | 672          | 725         | 2,960        |
| Personnel/Administrators/Councillors          | 298          | 284         | 1,105        |
| Depreciation and Amortization                 | 171          | 201         | 715          |
| Charges for Use of Basic Transmission Network | 204          | 173         | 724          |
| Contracted Services                           | 161          | 145         | 676          |
| Forluz – Post-Retirement Employee Benefits    | 34           | 62          | 264          |
| Materials                                     | 26           | 48          | 105          |
| Royalties                                     | 36           | 34          | 131          |
| Gas Purchased for Resale                      | 39           | 54          | 229          |
| Operating Provisions                          | 54           | 96          | 206          |
| Raw material for production                   | -            | -           | 70           |
| Other Expenses                                | 62           | 1,875       | 321          |
| <b>Total</b>                                  | <b>1,757</b> | <b>986</b>  | <b>7,506</b> |

- ✓ Cemig Distribuição contributes with 63 % of total costs

# Evolution of Consolidated Expenses – 1Q09/1Q08



- ✓ Operating efficiency program performing as planned
- ✓ New Voluntary Retirement Program seeks to align the company with new challenges in the sector
- ✓ Increase in personnel expenses in percentage lower than salary adjustment in November 08



# Expansion of consolidated net income\*

- ✓ Result shows growth consistent with solid fundamentals
  - Growing productivity in all areas
  - Continuous improvement in operational margins
  - Diversification of the risk inherent to each business through integrated structure

**Statement of Results (Consolidated)\***  
 Values in millions of reais

|   | 1st Q. 2009 * | 1st Q. 2008  | 2008         |
|---|---------------|--------------|--------------|
| Net Revenue   | 2,580         | 2,693        | 10,828       |
| Operating Expenses  | (1,736)       | (1,879)      | (7,510)      |
| <b>EBIT</b>   | <b>844</b>    | <b>814</b>   | <b>3,318</b> |
| <b>EBITDA</b>   | <b>974</b>    | <b>1,023</b> | <b>4,041</b> |
| Financial Result  | (38)          | (79)         | (94)         |
| Provision for Income Taxes, Social Cont & Deferred Income Tax | (188)         | (276)        | (914)        |
| Employee Participation  | (27)          | (22)         | (370)        |
| Minority Shareholders   | (20)          | (13)         | (119)        |
| Non- Recurring Cemig D  | 127           | (38)         | (38)         |
| <b>Net Income</b>   | <b>463</b>    | <b>452</b>   | <b>1,849</b> |

(\*) Final result of Cemig D's Second Tariff Review impacts the basis of comparison with previous quarters, with non-recurring adjustments fully recorded in 1Q09.

## Statement of Results (Consolidated) - CEMIG GT Values in millions of *reais*

|  | 1st Q. 2009 | 1st Q. 2008 | 2008         |
|--|-------------|-------------|--------------|
| Net Revenue  | 732         | 683         | 2,948        |
| Operating Expenses   | (307)       | (285)       | (1,248)      |
| <b>EBIT</b>  | <b>425</b>  | <b>398</b>  | <b>1,700</b> |
| <b>EBITDA</b>  | <b>481</b>  | <b>454</b>  | <b>1,924</b> |
| Financial Result   | (50)        | (80)        | (245)        |
| Provision for Income Taxes, Social Cont & Deferred<br>Income Tax | (137)       | (107)       | (383)        |
| Employee Participation   | (6)         | (5)         | (86)         |
| <b>Net Income</b>  | <b>232</b>  | <b>206</b>  | <b>986</b>   |

- ✓ Increasing profitability, growth in sales and strict expense control

## Statement of Results (Consolidated) - CEMIG D Values in millions of *reais*

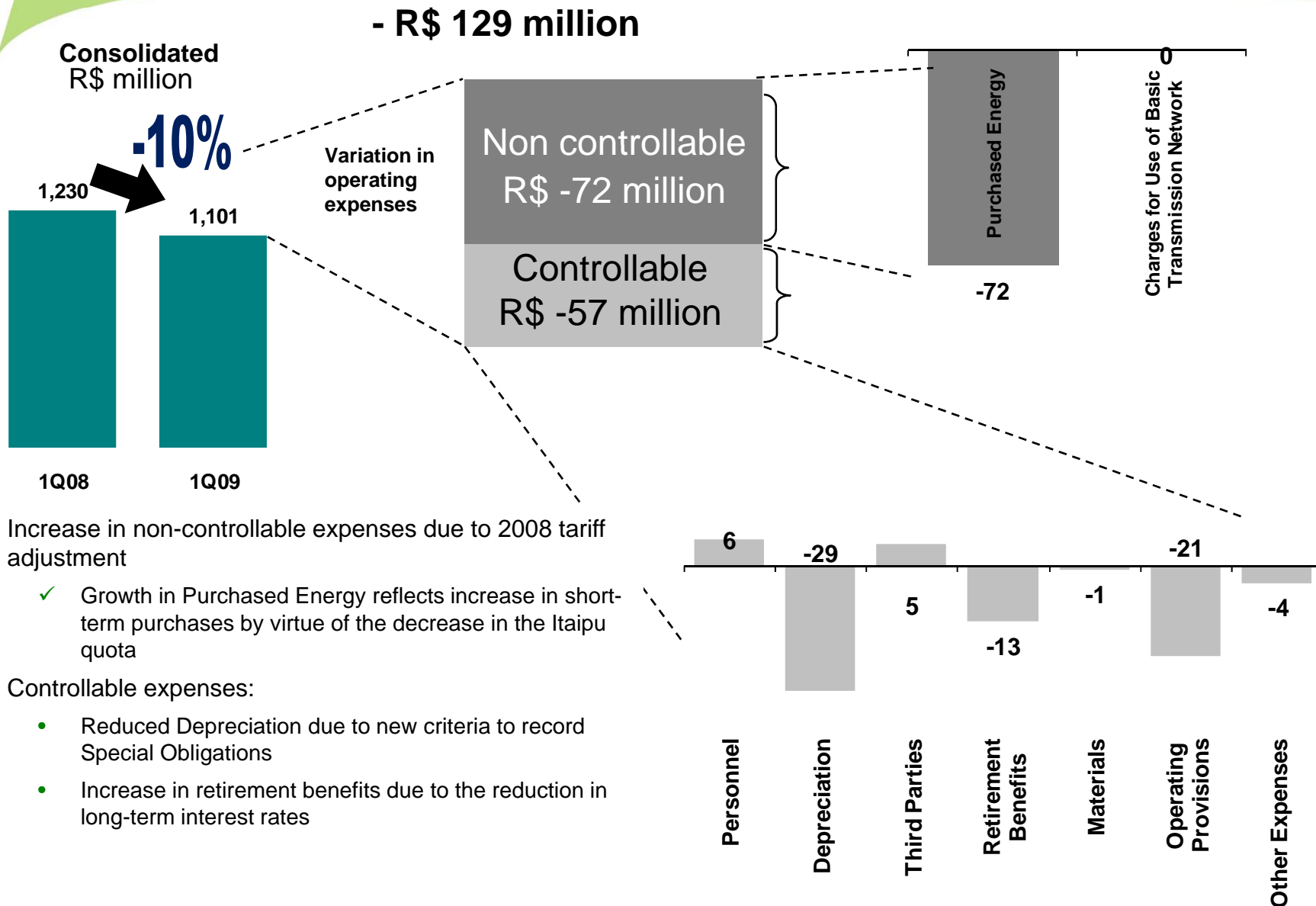
|   | 1st Q. 2009 | 1st Q. 2008 | 2008         |
|---|-------------|-------------|--------------|
| Net Revenue   | 1,400       | 1,710       | 6,209        |
| Operating Expenses  | (1,080)     | (1,234)     | (4,890)      |
| <b>EBIT</b>   | <b>320</b>  | <b>476</b>  | <b>1,319</b> |
| <b>EBITDA</b>   | <b>359</b>  | <b>470</b>  | <b>1,548</b> |
| Financial Result  | (8)         | 11          | (7)          |
| Provision for Income Taxes, Social Cont & Deferred Income Tax | (18)        | (142)       | (274)        |
| Employee Participation  | (19)        | (16)        | (263)        |
| Non-Recurring Cemig D   | 127         | -38         | -38          |
| <b>Net Income</b>   | <b>167</b>  | <b>233</b>  | <b>671</b>   |

- ✓ A operational efficiency program was put in place and full results shall contribute do cost reduction by 2010

(\*) Final result of Cemig D's Second Tariff Adjustment impacts the basis of comparison with previous quarters, with non-recurring adjustments fully recorded in 1Q09. 1Q09, 1Q08 and 2008 figures for Ebitda, Net Income and Net Revenues are adjusted.



# Cemig Distribution: Expenses Evolution – 1Q09



- ✓ Increase in non-controllable expenses due to 2008 tariff adjustment
  - ✓ Growth in Purchased Energy reflects increase in short-term purchases by virtue of the decrease in the Itaipu quota
- ✓ Controllable expenses:
  - Reduced Depreciation due to new criteria to record Special Obligations
  - Increase in retirement benefits due to the reduction in long-term interest rates

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# Market Recognition



Included in the DJSI for the 9th year running.  
Selected as worldwide leader of the Utilities  
"Supersector" in 2007.



Prêmio Anefac  
Transparency Trophy, 2008.



IBEF – Prêmio Equilibrista  
Brazilian Institute of Financial Executives  
Luiz Fernando Rolla, Best Financial Executive



Included in The Global Dow Index as the only  
Latin American electricity company in this 150-  
company index, and one of the 10 selected to  
represent emerging markets.



2008 Brazil's Corporate Standouts:  
- Luiz Fernando Rolla, Best CFO  
- Most Shareholder-Friendly Company



Fiat Qualitas Award  
Best Worldwide Power Supplier



Included in Bovespa Corporate  
Sustainability Index.

- RME owns 52.247% stake on Light and, under the accounting rules, consolidates 100% of the financial statements of its subsidiary;
- Cemig owns 25% of RME, and thus consolidates 25% of Light, applying a 11.5% reduction in the line “Minority interest”.
  - for the other companies in the group, figures are consolidated in proportion of Cemig’s holding;
- In this presentation:
  - we have maintained the RME information compatible with the financial statements: 25%;
  - figures for the assets are labeled LIGHT S.A., and stake adopted is 13.06%;
  - figures for people – number of employees, consumers – are informed as 100% of Light and of TBE.

Average outage frequency (FEC): Average number of outages suffered in a given period per consumer, in a given group of consumers.

Debt coverage index: Ebitda divided by total financial expenses in the year. This gives a figure for the company's capacity to pay debt servicing.

Deferred Tariff Adjustment (RTD): Every four years Aneel decides on a "periodic" tariff *review* for each electricity distributor, to adjust the level of annual adjustments to preserve the financial equilibrium of the concession contracts, coverage of efficient operational costs and adequate remuneration of investment. On April 8, 2003, this adjustment for Cemig was set provisionally at 31.53%, but the final adjustment decided was 44.41%, and the percentage difference of 12.88% will be applied to Cemig's tariffs in "deferred" format: i.e., as an addition to each of the annual tariff adjustments decided for the years 2004 through 2007, cumulatively. The difference between the adjustment to which Cemig Distribuição is entitled and the tariff in fact charged to consumers has been recognized in Cemig's financial reporting as a Regulatory Asset.

Ebitda: Earnings before interest, tax, depreciation and amortization – a measure of a company's operational cash flow, providing an indicator of the cash flow generated by a company's principal business.

Ebitda margin: Ebitda/net operating revenue. This provides a view of the company's cash generation capacity.

Hedge: Financial mechanism for protection against fluctuations in prices – e.g. of commodities -, or variables such as interest rates or exchange rates.

Hydroelectric power plant: A generating plant that uses the mechanical energy of falling water to operate electricity generators.

Manageable costs: Costs that essentially depend on the efficacy of corporate management, such as personnel expenses, materials, outsourced services, etc. – also referred to as controllable costs.

Net margin: Net income / Net operating revenue – an indication of a business's profitability.

Outage time per consumer (DEC): Average service outage time per consumer in a given group of consumers over the specified period.

The Extraordinary Tariff Recomposition (RTE): This was a tariff adjustment granted by the government in December 2001 to the distributors and generators of the regions where rationing was imposed. It was one of the conditions of the *General Accord for the Electricity Sector*: an increase of 2.9% in the tariff of residential consumers (with the exception of Low-Income Residential Consumers), and an increase of 7.9% for other consumers. Its purpose was to make good the losses suffered by distributors and generators as a result of the reduction of consumption imposed by the government. The duration of the adjustment varies in accordance with the time necessary to recover the loss of each concession holder.

The CCC (Fuel Consumption Account): This account was created to accumulate funds to cover the increase in costs associated with greater use of thermal generation plants in the event of drought – since the marginal operating costs of thermal plants are greater than those of hydroelectric plants. All Brazil's electricity companies are obliged to make an annual contribution to the CCC, calculated on the basis of estimates of the amount of fuel likely to be required by the thermal plants in the following year.

**The CDE (Energy Development) Account:** This is a source of subsidies to make alternative energy sources such as wind and biomass more competitive, and promote universalization of electricity services. It is funded by annual payments made by the concession holders for the use of public assets, and also from penalty payments imposed by Aneel for infringements.

**The CRC (Results Compensation Account):** Before 1993, electricity concession holders in Brazil were given a guarantee of a rate of return on their investment in the assets used in the provision of electricity to clients, and the tariffs charged to clients were uniform over the whole country. Profits generated by the more profitable concession holders were reallocated to the less profitable concession holders, in such a way that the rate of return on assets was equal to the national average for all of the companies. Though the results for the majority of Brazil's electricity concession holders were deficits, these were posted by the federal government as *assets* in the "CRC account" of each company. When the CRC Account, and the concept of guaranteed return, were abolished, concession holders that had positive balances in their "CRC accounts" were able to offset these balances against any liabilities owed to the federal government.

**The CVA – the Offsetting Account for Variations of "Portion A" items:** "Portion A" is the list, used in the calculation of the electricity distributors' annual tariff adjustments, of the utility's cost items that are not under its own control. The CVA mechanism compensates for changes in the list's total over the year to the new tariff date. The variation – positive or negative – is passed on in the tariff adjustment .

**The Global Reversion Reserve (RGR):** This is an annual amount included in the costs of concession holders to generate a fund for expansion and improvement of public electricity services. The amounts are paid monthly to Eletrobrás, which is responsible for the management of the resulting fund, and are to be employed in the Procel mechanism.

**Thermal power plant:** A generating plant that converts chemical energy contained in fossil fuels into electricity.

**Total return to stockholders:** Sum of the dividend yield and the percentage appreciation in the stock price.

**TUSD – Toll for Use of the Distribution System:** This is paid by generation companies, and by Free Consumers, for the use of the distribution system belonging to the distribution concession holder to which the generator or Free Consumer is connected, and is revised annually in accordance with inflation and the investments made by the distributor in the previous year for maintenance and expansion of its network. The amount is: the quantity of energy contracted with the distribution concession holder for each link point, in kW, multiplied by a tariff in R\$/kW set by Aneel.

**Volt:** Unit of the electrical potential at which energy is supplied.

**Voltage:** For the purposes of efficient transport of electrical energy over transmission lines from the generating plant to the consumer, there are various levels of transmission voltage. Similarly, electricity is used by consumers at various different voltage levels.

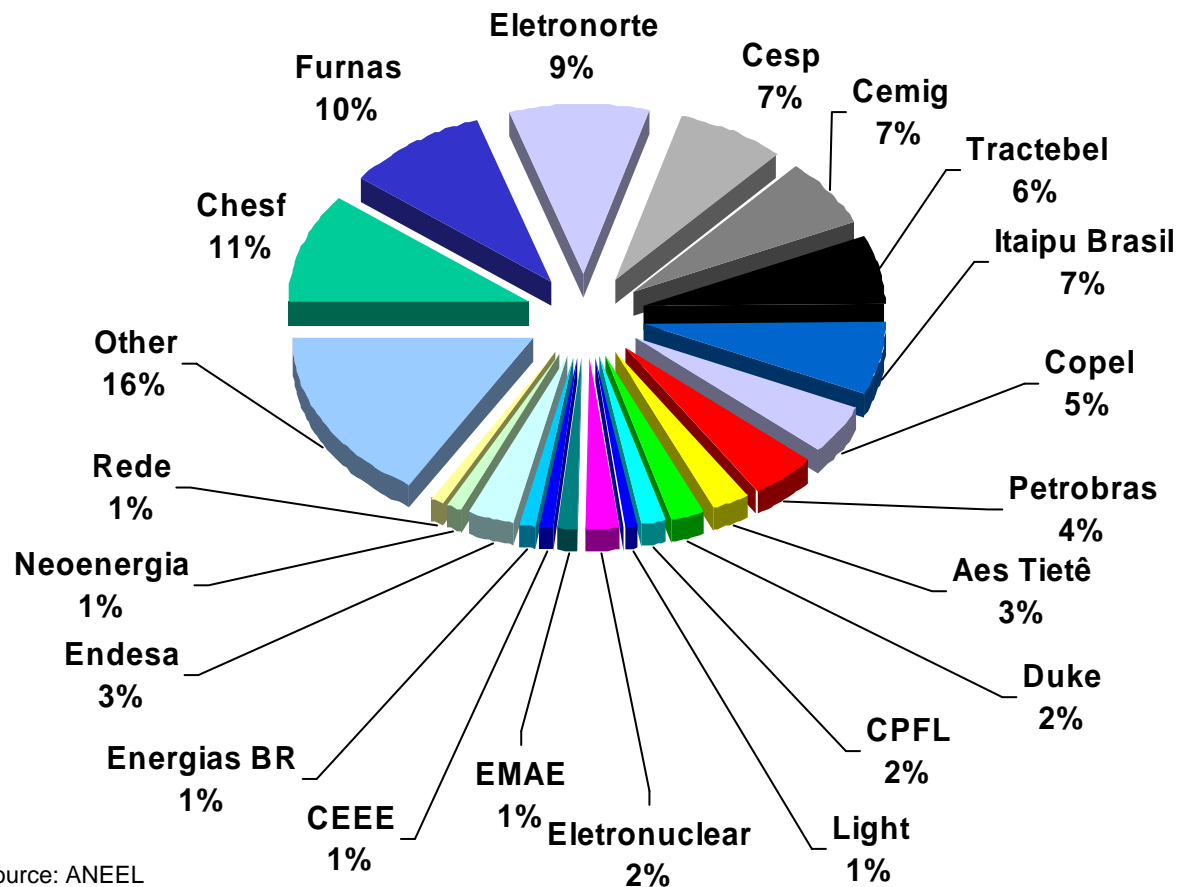
**Watt (W):** Unit of power required for a device to operate. 1,000 watts is a kilowatt (kW), 1 million watt is a Megawatt (MW), and 1 billion watts is a Gigawatt (GW).

**Watt-hour:** Measure of energy (work done by electric power): The kilowatt hour, Megawatt hour, Gigawatt hour and Terawatt hour (KWh, MWh, GWh, TWh) respectively represent 1,000, 1 million, 1 billion and 1 trillion watt-hours.

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## Brazilian power generation capacity

(% of total installed capacity – Dec-2007 )



Source: ANEEL

### Comments

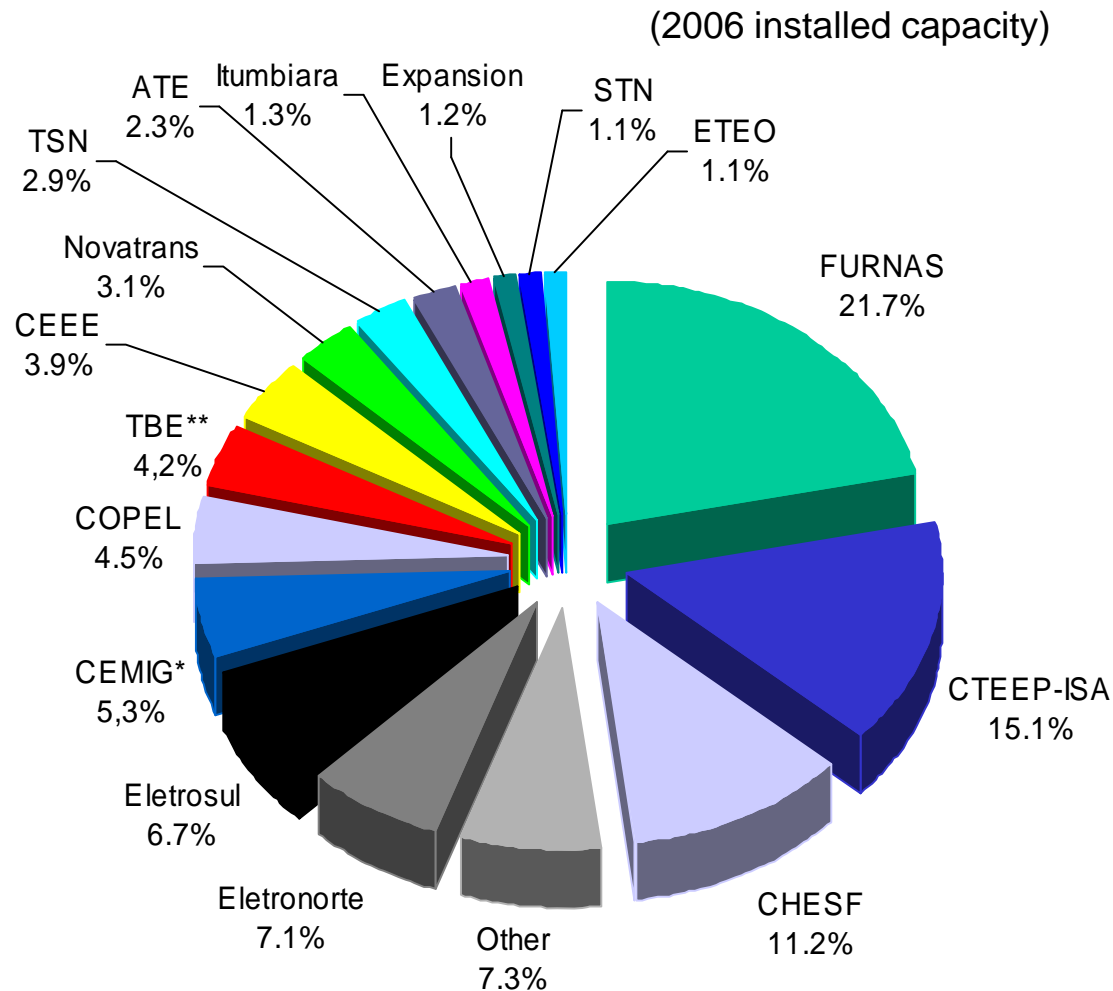
- Federal state-owned companies still have the greatest installed capacity
- Social and environmental issues are the most critical points for expanding existing capacity
- Fair setting of the “price ceiling” at auctions is crucial for the feasibility of new projects



- Regulated market
  - Concessions granted based on the least price approach.
  - Power purchase contract:
    - Auctions organized by a Federal agency:
      - Final buyer : Electricity Distributors.
    - New capacity : longer term, no market risk, inflation adjusted;
    - Existing capacity: shorter term, volume reduction at the distributor discretion, inflation adjusted.
- Unregulated market (free market)
  - Target: large industrial clients, large businesses;
  - Price freely negotiated: conditions , term, inflation adjustment;
  - Usually take or pay contracts.

- Price will behave differently according to the nature of the contract to be auctioned by ANEEL:
  - Existing capacity (so called “old energy”) contracts:
    - power to be supplied in a year from now;
    - Term of 8 years;
    - Imply distributor ‘s forecasted demand risk:
      - Contractual volume can be reduced.
  - New capacity (so called “new energy”) contracts:
    - Power to be supplied in three or five years from now;
    - Term of 30 years;
    - No risk on the contractual volume reduction by distributors.

# Power Transmission: Brazil



## Comments

- Infrastructure companies have won the auctions for new lines, particularly Spanish companies.
- The format for the expansion of new lines – auction based on the lowest RAP (Annual Permitted Revenue) – has attracted investors.

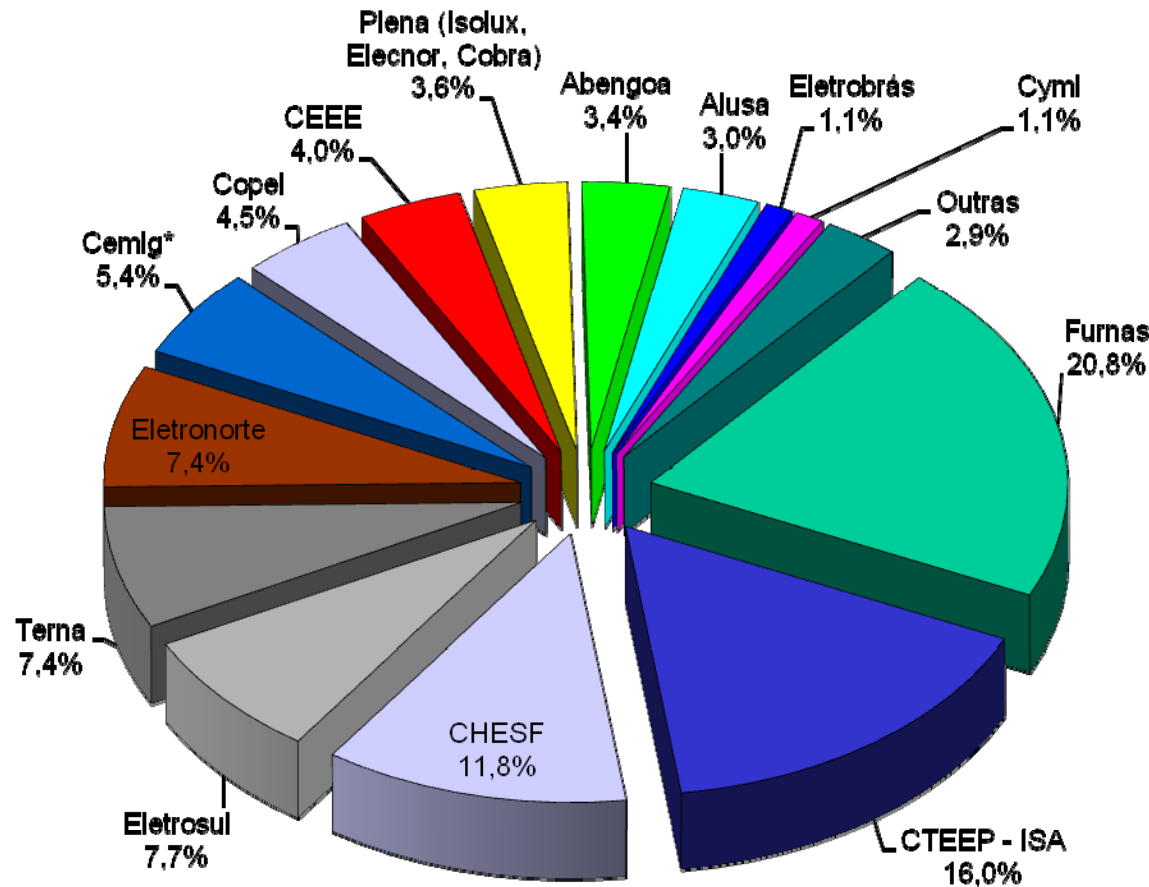
\* Includes the 21% stake in TBE;

\*\* Deducing the 21% stake in CEMIG

Source: ANEEL (TECHNICAL NOTE No. 082/2006 – SRT/ANEEL of Jun-27-2006)

# Power Transmission: Brazil

(2007 Annual Permitted Revenue)



## Comments

- Infrastructure companies have won the auctions for new lines, particularly Spanish companies.
- The format for the expansion of new lines – auction based on the lowest RAP (Annual Permitted Revenue) – has attracted investors.

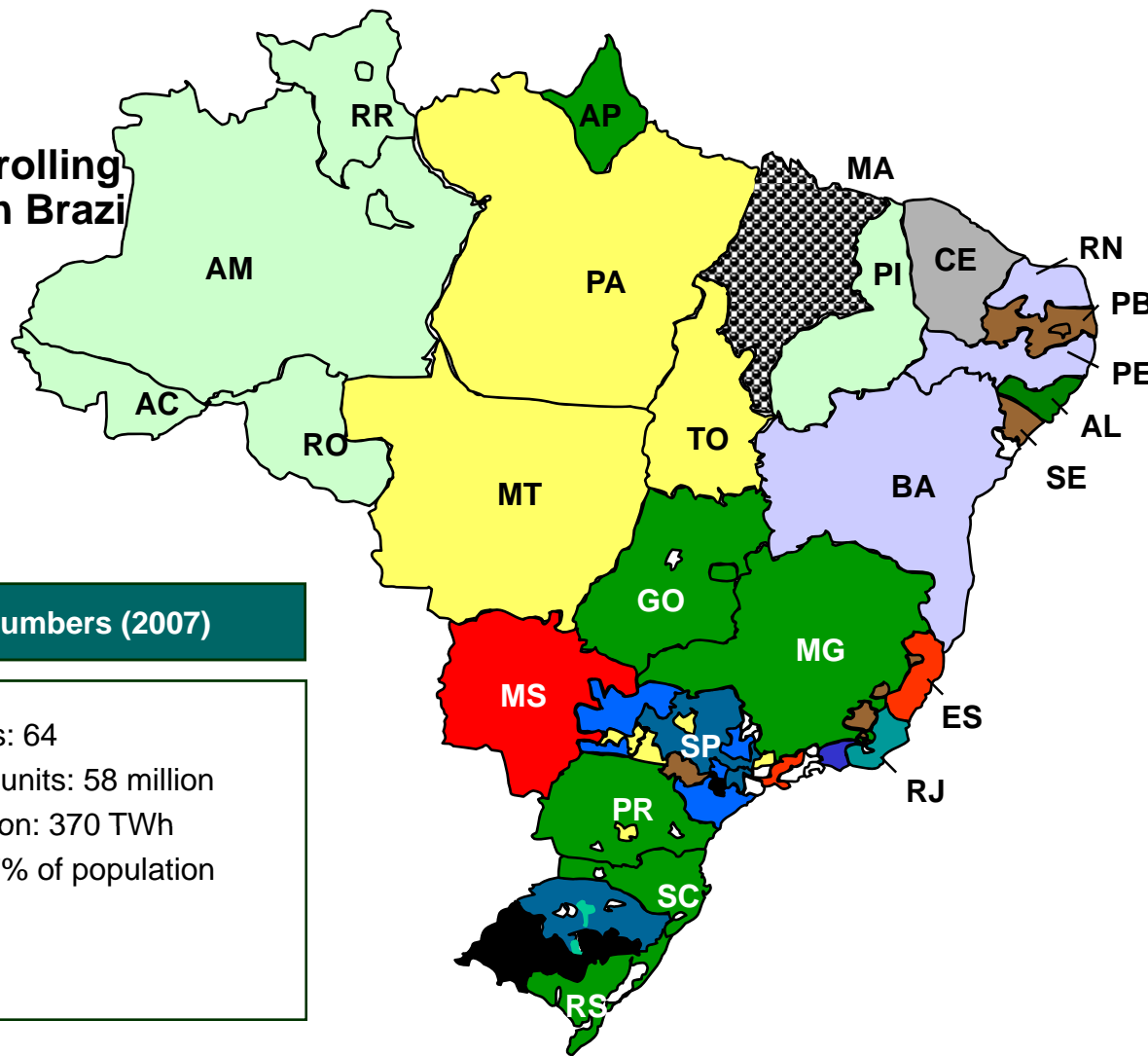
\* Not including Cemig's stake in TBE. Considering this stake, Cemig is the sixth largest transmission Company in Brazil

- Competition for concession contract:
  - Cap price approach;
  - Allowed revenue: the winner bid is the lowest revenue earned from users;
  - 30-year long concession.
- Stable Cash flow
  - Guaranteed contracts signed with users:
    - Receivables pledged as guarantees;
    - Annual inflation adjustment;
    - Revenue secured regardless the use of the asset;
- Low operating risk:
  - Penalties are applied only in the case of bad maintenance or poor performance.
- Fixed income alike investment.

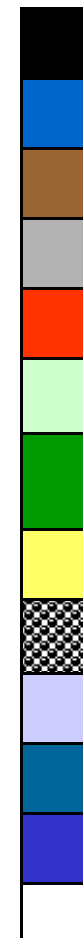
- Facilities built before 1995:
  - Concession will expire on July 8, 2015;
  - 20-year extension may be granted at ANEEL discretion;
  - Allowed return to be reviewed in a near future;
- Expansion projects can be carried out in three ways:
  - New concessions to be granted through auctions:
    - Projects are selected by the ONS in light of the National Grid needs;
    - Auctions are organized by ANEEL;
    - Contracts are standard and term is for 30 years;
    - Bids are made on annual revenue.
  - Authorization to build, directly requested by the ANEEL:
    - In certain cases, ANEEL may request any utility to build a transmission line or a substation of regional impact.
  - Acquisition of existing facility.

# Electricity Distribution: Brazil

Main controlling groups in Brazil



- AES
- Ashmore Energy
- Energisa (Cat-Leo)
- Endesa
- EDP
- State-owned, Federal
- State-owned, Indiv. State
- Grupo Rede
- Equatorial Energia
- NeoEnergia
- CPFL
- RME (\*)
- Other



## Brazil Numbers (2007)

- Companies: 64
- Consumer units: 58 million
- Consumption: 370 TWh
- Access: 97% of population

Source: Aneel, EPE

(\*) Cemig has 13% stake

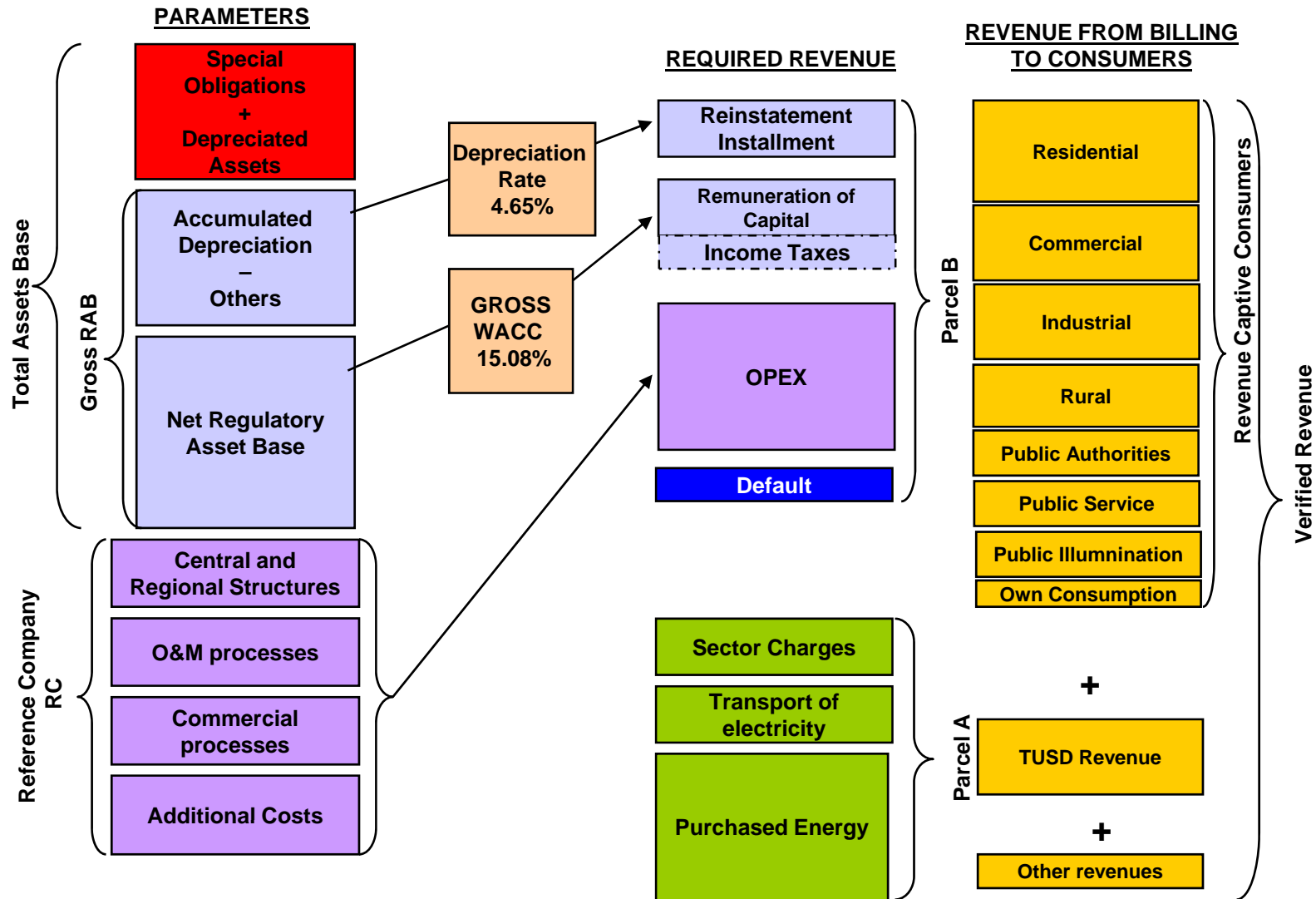
## Electricity Distribution business is the most regulated one



- Allowed return on asset approach:
  - Benchmark WACC: currently 11.26%;
  - 2008 tariff review: WACC reduced to 9.98%.
- Operating expenses:
  - Full passed through mechanism:
    - Energy purchase expenses under certain circumstances.
  - Yearly inflation adjusted;
  - Tracking account for offsetting estimated expenses.
- Revenues come from:
  - Charges on D grid use by the access free users;
  - Sales to captive users.
- 5 year rate setting review:
  - Sharing productivity gains with users.
- Distributors are supposed to buy power to meet 100% of the forecasted demand, through auctions organized by Federal Agency – ANEEL:
  - In case a large consumption client (eligible as free consumer) chooses another supplier, distributor are allowed to reduce the contractual volume at the same amount;
  - If the growth is poor, contractual volume can be reduced by 4% yearly.



# Tariff Review Process



## **Bank Loans**

- Debt rollover
- Assignment of receivables

## **Local Capital Market**

- Debentures are the major funding source (long-term, denominated in Wholesale Prices Index [IGP-M])
- FIDC (receivables fund)

## **International Capital Market**

- Eurobonds
- Perpetual bonds

## **Multilateral Agencies**

- IFC, JBIC, CAF
- Long Term
- Tax breaks on remittance of interests

## Assumptions

- ✓ Avoid placing a permanent burden on payroll.
- ✓ Preserve the return for stockholders.
- ✓ Whenever possible, relieve payroll from burdens.

## Points of specific interest for this agreement

- ✓ Re-discuss the whole of the Collective Agreement and act gradually to adjust it, aiming to adapt it to the Company's present-day situation.
- ✓ Create conditions for actions under the Operational Efficiency Program, which aim to reduce costs.
- ✓ Safeguard the results approved in the Revised Annual Budget Proposal for 2008.
- ✓ Link payment of profit sharing to actual results.

# Items that merited special attention

## Aspects of previous agreements:

- ✓ Maintain a minimum workforce of 10,000 employees.
- ✓ Payment of productivity benefits in the form of a percentage to be added to salary.
- ✓ Personnel Hiring Clause guaranteeing minimum replacement of the workforce .
- ✓ Excess of clauses derived from old agreements of previous years.

# Main points of the 2008–9 Agreement

- ✓ Exclusion of Personnel Hiring Clause, which demanded reposition of 3% of the workforce each year.
- ✓ Reduction of the minimum number of employees to 9,000, **without requirement for replacement of jobs in the event of employees leaving** for the following reasons:
  - Voluntary dismissal plans
  - Retirement
  - Just cause
  - Spontaneous resignation
- ✓ **Payment of productivity or awards at sight, instead of as a real-terms increase in salary.**
- ✓ Indexation-related salary increase of the INPC inflation index for the last 12 months (7.26%).
- ✓ Measuring indicators for targets for 2009–2010:
  - Safety: Accident Frequency Rate
  - Financial: Operational Profit
  - Electricity System: Quality of supply (outage frequency / time)
  - Individual: absenteeism
- ✓ 17 clauses of previous Agreement eliminated.

## PLR for compliance with and exceeding of targets

- ✓ Monitoring by BSC – Balanced Scorecard, through indicators of performance: corporate profit, safety, quality of service of the electricity system, and absenteeism.
  
- ✓ Total of 6% of the Concession Operational Profit (COP)\*, in the approximate amount of R\$ 195.9 million, comprising:
  - 3.0% of COP, already included in the Agreement for 2007–8 (accounted monthly), totaling approximately R\$ 97.1 million, to be paid in April 2009.
  
  - 3.0% of COP for exceeding targets, in the approximate amount of R\$ 98.8 million, with payment in December 2008.

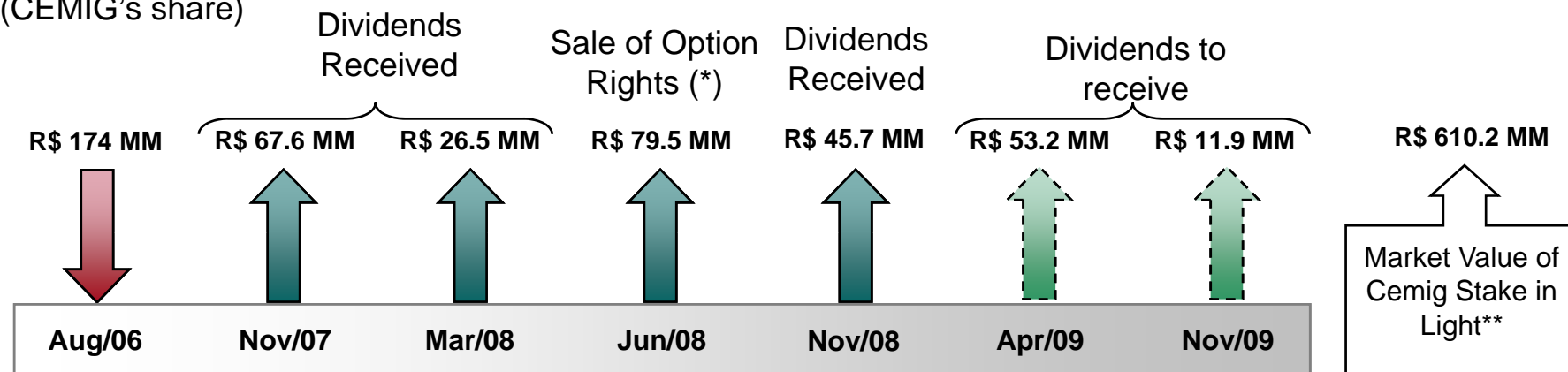
\* Reflects the result of the service calculated accordingly to ANEEL's methodology. Similar to Operating Profit, before financial results.

## PLR for productivity

- ✓ Traditionally, the electricity companies market paid productivity as a percentage added to the salary.
- ✓ In our 2008–9 agreement a payment at sight was negotiated for productivity instead of a salary increase, avoiding a permanent impact on payroll.
- ✓ Period of the calculation: November 2007 to October 2008.
- ✓ Total of R\$ 183.2 million, with payment in December 2008.
- ✓ This investment will produce an internal rate of return of 14.37%
  - Average time for calculation: 18 years.

## Results of Cemig's participation in RME (Light acquisition)

Acquisition price  
(CEMIG's share)



(\*)The amount related to financial compensation due to Cemig's renunciation of exercising the option to purchase RME's partners rights over the Light's generation assets, that will be paid as shown below:

- One partner already paid its part in full in July 2008
- The two other partners will pay the amount in parcels equal to 10% of the dividends distributed to them, and the period for total payment cannot be more than 9 years. The amounts are corrected by CDI + 1% per year.

(\*\*) Considering the price of R\$ 22.96 / share ex dividends, on 03/19/2009.



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## Notes

## Notes

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