

JUNE 2009



# CEMIG

## *Successful Strategy*

*Brazil and Minas Gerais positioned for rapid growth*

*Mr. Aécio Neves*

*Governor of the State of Minas Gerais*



# *DISCLAIMER*

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

All figures are in BR GAAP.



***CONTEXT AND OPPORTUNITIES  
BRAZIL - MINAS GERAIS - CEMIG***



## **BRAZIL IN POSITION FOR RAPID RECOVERY**

*The major impacts have already been absorbed by the response of the governments of the affected countries.*

*Additional shocks may occur, but of smaller magnitude.*

- *Default on credit cards*

### ***The consequences are many:***

- ***Large allocation of public resources***
- ***Major concern with regulation of banking sector***
  - *Probable impact on capital flow and difficulty in raising funds in international markets*
- ***International trade threatened by protectionist measures***
- ***Access to US market expected to be more difficult***
- ***Public finances in general present relevant deficits***
  - *Reduction in revenue*
  - *More public investments to foster economic activity*
- ***Emerging countries affected by the reduction in commodities price***
  - *Uncertainty as to recovery of pre-crisis levels*
  - *Reduced or zero growth for countries*
  - *which depend greatly on a single commodity*



*BRAZIL IN POSITION  
FOR RAPID RECOVERY*

*Successive crises faced in past  
have resulted in creation of  
effective defense mechanisms:*

- *Economic policy focused on monetary stability;*
- *Efficient regulatory system;*
- *Capitalized companies;*
- *Domestic consumption unaffected;*
- *Stimulus programs for economy*



*MINAS GERAIS, A NEW  
MANAGEMENT MODEL*



*“MANAGEMENT SHOCK”*

*SPENDING LESS WITH GOVERNING  
AND MORE ON INVESTING IN PEOPLE*



*MINAS GERAIS,  
MODERNIZATION  
OF INFRASTRUCTURE  
FOR GROWTH*



*Telephone services available to all municipalities;*

*Available and reliable electric energy in all the State;*

*By 2010, 100% treated water and 95% of sewage services to be provided to over 600 out of 853 municipalities;*

*All cities connected by paved highways;*

*Growth rate higher than country average;*

*200 billion reais in new investments.*



*MINAS GERAIS,  
THE STATE OF OPPORTUNITY*



*Brazilian leader in mining and steel-making*

*Second largest exporter in country. Main items:  
steel products, iron ore, coffee, cars*

*Second largest industrial park in country and  
second in agribusiness*

*Second largest producer of ethanol*

*State with great potential for small hydropower  
plants and sugarcane baggass powered  
generation plants*

*Largest concentration of biotechnology  
companies in Latin America*





## *MINAS GERAIS, SOCIAL PROGRESS*



*Education: ranked among leaders in performance;*

*Health: child mortality below national average, even in less privileged areas;*

*Malnutrition reduced by 50%*

*Safety: reduction of criminality rates in State back to levels of ten years ago;*

*Poverty level in State reduced by 41.3%.*



*SOLID BASES FOR A  
SUSTAINABLE  
SOCIOECONOMIC  
DEVELOPMENT ARE BEING  
BUILT*

*Growth rates always among the highest in the country, complemented by a public governance focused on translating economic growth into social development;*

*In 2008, Minas Gerais GDP grew 6.3%, compared to the national GDP of 5.1%. The State's GDP is similar to that of countries such as Peru;*

*Between 2003 and 2011, public and private investment for the State amounted to R\$ 192 billion;*

*The Treasury investment funds multiplied between 2003 and 2007, and tax funded investment of the Treasury reached US\$ 2 billion in 2008;*

*Additionally, the State signed an US\$ 1 billion loan agreement with the World Bank;*



*GOVERNANCE MODEL  
APPLIED TO CEMIG  
RESULTED IN ALIGNMENT OF  
INTERESTS WITH  
SHAREHOLDERS*

*Sustainability as a corporate value*

- *Cemig selected for the ninth consecutive time*

*Socially responsible investment*

- *Award in Spain*

*Adding value with return provided by the project/acquisition;*

- *Acquisition of wind power plants: 99MW*
- *Acquisition of electric energy transmission company*

*Goals of gaining market share to find balance among three main electric energy industry segments*

*Portfolio of assets providing a suitable combination among the three segments, so as to attain low-risk business structure*

*New challenges:*

*natural gas and renewable energy sources*



## *ALIGNMENT WITH SHAREHOLDERS*

### *Efficient asset management, assuring:*

- *highest profitability*
- *services satisfying clients at fair prices*
- *management of human capital among best corporate practices*
- *ethical and transparent relations with service and equipment suppliers*



## *CEMIG'S COMPETITIVE ADVANTAGE*

### *Corporate governance*

- *modern practices which reflect the geographic diversity of our shareholders*
- *long-term vision: partnering with investors*

### *Financial management to assure:*

- *predictability of cash flow*
- *superior credit quality*
  - *Lower financing costs*
  - *Access to major markets*



*CEMIG'S  
COMPETITIVE ADVANTAGE*

- *Leading power utility in Brazil*
- *Long term strategic growth plan*
- *EBITDA doubled in 5 years*
- *Focus on operational Excellence*
  - *Distribution network grew 20%*
  - *Power generation capacity increased 16%*
  - *50% annual dividend = R\$ 5.3 billion in 5 years*

**CEMIG FOCUSES ON  
SUSTAINABLE STRATEGIC  
EXPANSION  
IN GROWING BRAZILIAN  
AND INTERNATIONAL  
ENERGY MARKETS**

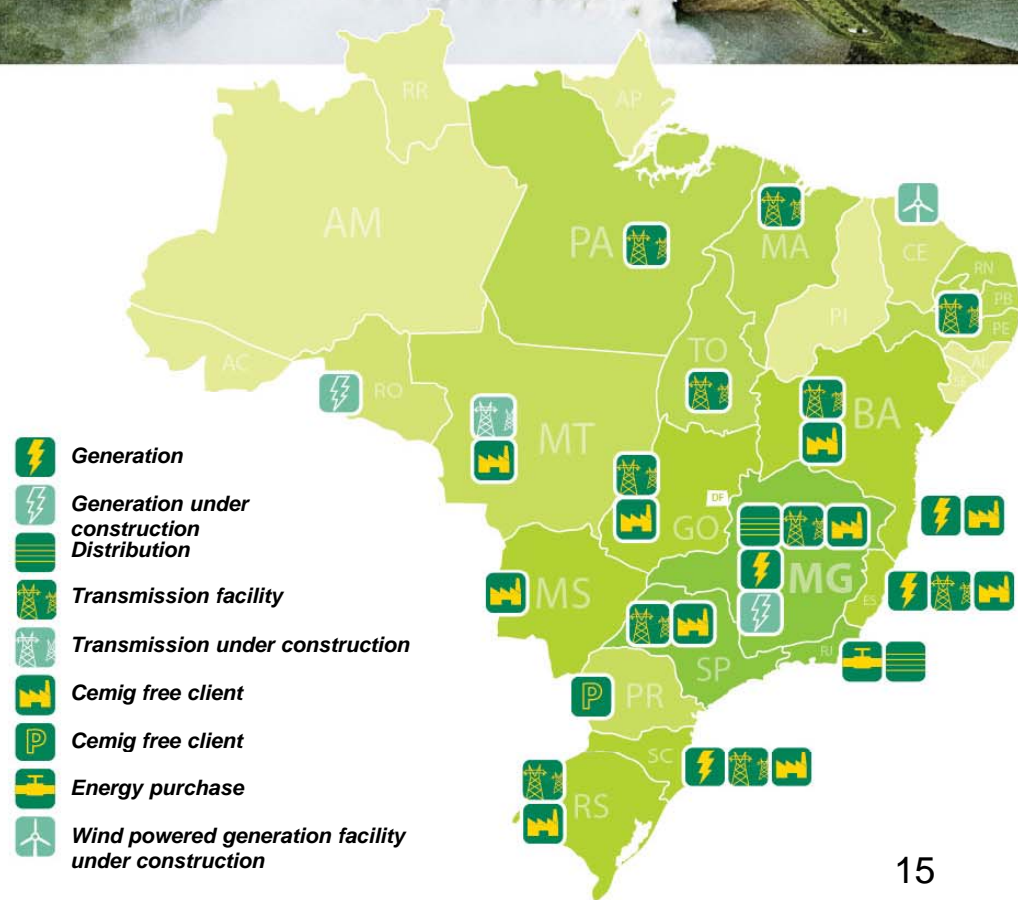


**Power Industry(\*)**

- Largest electricity distributor
- Fourth largest power generation group
- Third largest power transmission group

**Largest Brazilian Integrated Utility**

(\*) Including the Terna's acquisition



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# CEMIG

## *Successful Strategy*

*Business Portfolio Ensures Results*

*Mr. Sérgio Barroso*

*Chairman*





*CEMIG'S SHAREHOLDERS  
HAVE ALIGNED INTERESTS*

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

*Long term focus on the electricity business*

*Pursuit of healthy and sustainable growth*

*Social and environmental responsibility as a key strategy*

*Strong corporate governance policy to guarantee transparency and fairness in the decision making process*

*Alignment of the long term interest among all shareholders*



*LONG TERM STRATEGIC  
PLAN ADDRESSES  
SUSTAINABLE GROWTH...*

*Expanding CEMIG's Operations.*

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



*LONG TERM STRATEGIC  
PLAN ADDRESSES  
SUSTAINABLE GROWTH...*

*Addressing shareholders'  
long-term interests.*



- *Dividend policy: minimum 50% of net income payout and extraordinary dividends, provided cash availability*

- *Corporate governance focused on transparency and respect of minority shareholders' interests*



*LONG TERM STRATEGIC  
PLAN ADDRESSES  
SUSTAINABLE GROWTH...*

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

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



**RESULTS REFLECT  
LONG-TERM VISION**

*Operational excellence focused on cost efficiency*

*Financial management aims at improving credit quality*

*Risk management to ensure competitive reward*

*Investment criteria defined by Strategic Plan to add value*

*Corporate governance and sustainability as corporate value*

*Committed to provide investors' return on investment*

*Positive track records on acquisitions*



## *CEMIG: LEADING ELECTRIC UTILITIES CONSOLIDATION*

- *Cemig has taken steps over the last 10 years to face the challenges of the current scenario*

- *The consolidation process in the Brazilian electricity sector will speed up in the coming years*

- *We have the means and the resources to implement our long term strategy*

- *Successful strategy on acquisitions*

### *Last acquisitions:*

*2005: 55 MW Rosal power plant*

*2006: 3.8 million client Light distribution company*

*2006: 2,100 km power transmission company- TBE*

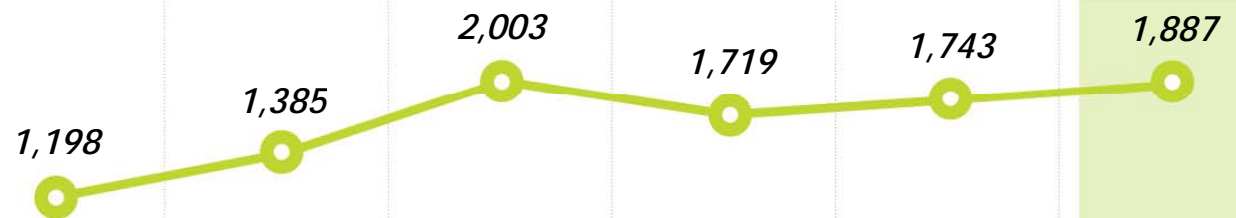
*2008: TBE power transmission company  
(additional stake)*

*2009: 99 MW Wind farm facilities*

*2009: Terna's Brazilian power transmission company*

## FINANCIAL HIGHLIGHTS

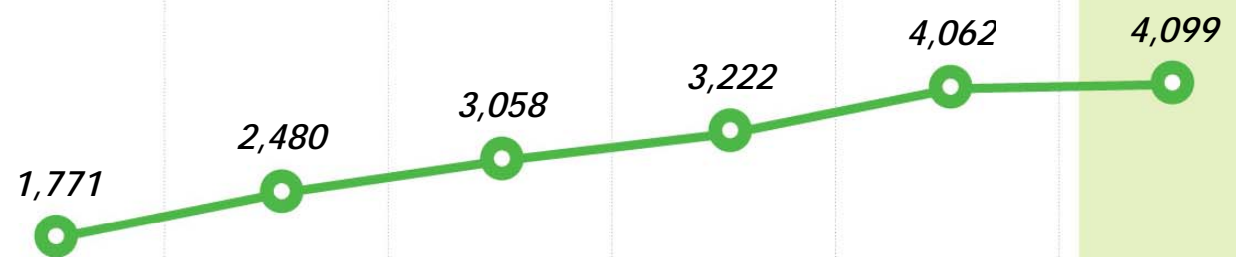
**Net income**  
(R\$ Million)



**EBITDA margin**  
(%)



**EBITDA**  
(R\$ Million)



2003

2004

2005

2006

2007

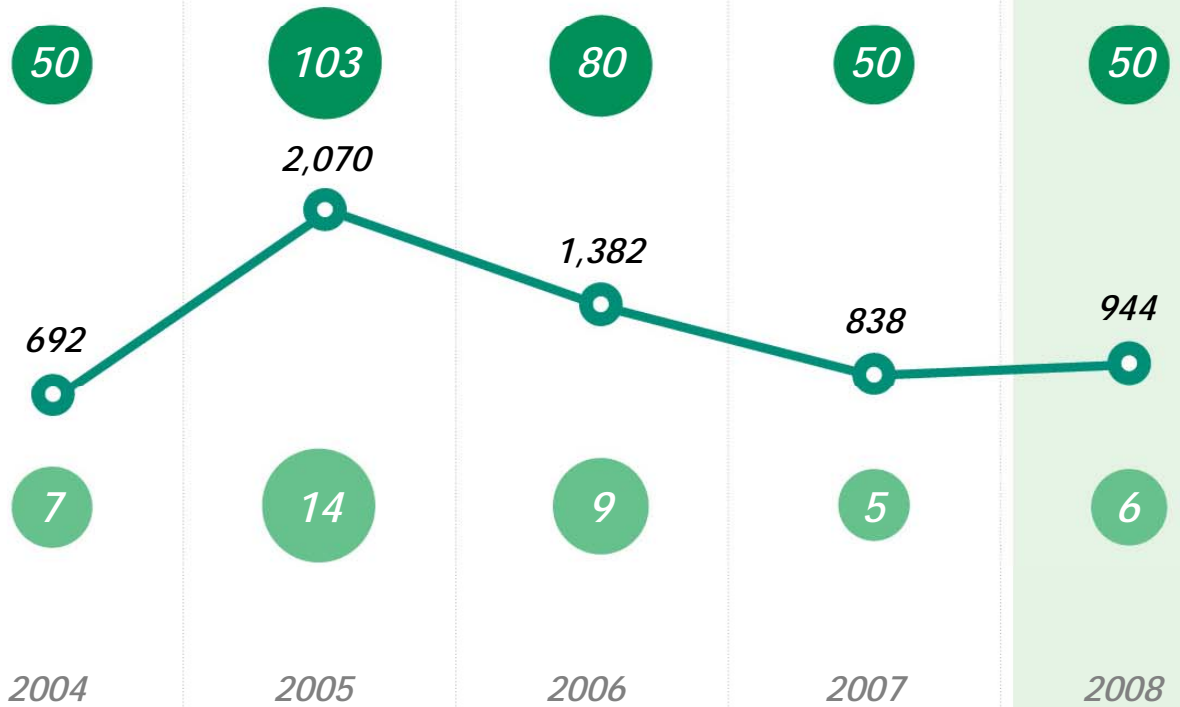
2008

## FINANCIAL HIGHLIGHTS

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

*Dividends*  
(R\$ Million)

*Dividend Yield*  
(%)







**STRONG FINANCIAL  
DISCIPLINE, LOW DEBT COST  
AND REDUCED FX EXPOSURE**

### *Main Indexes*

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

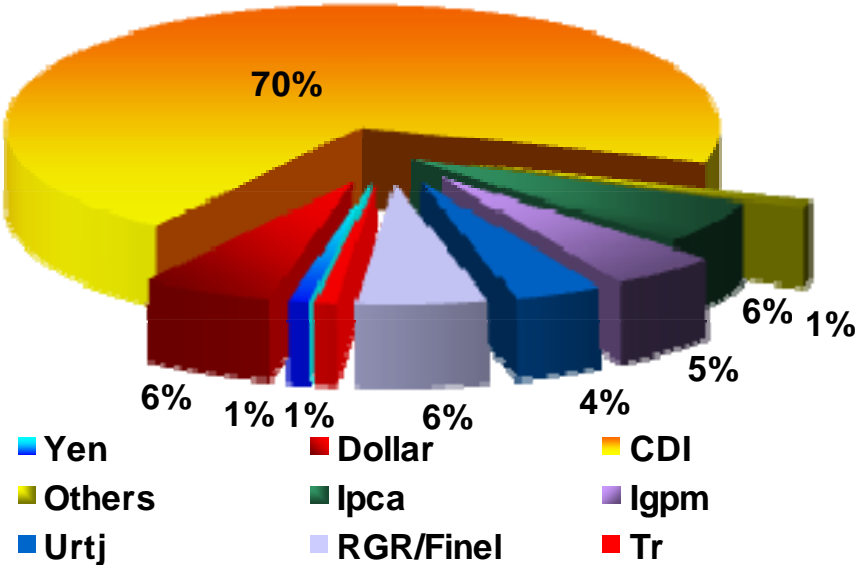
R\$/million

(1) Net Debt = Total debt - Available



**STRONG FINANCIAL  
DISCIPLINE, LOW DEBT COST  
AND REDUCED FX EXPOSURE**

*Consolidated Debt  
December, 31 2008 (%)*

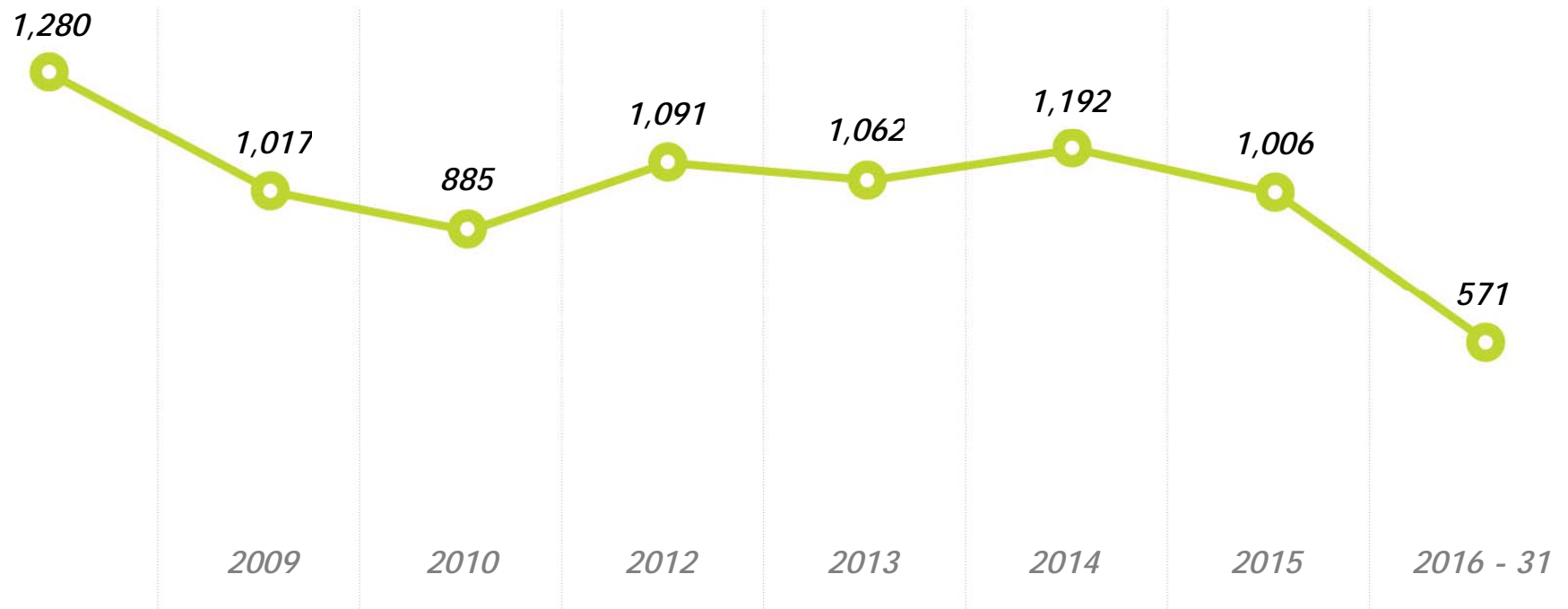




*Maturity Schedule*

*Average Tenor: 4.3 years*

*(R\$ Million)*





**STRONG FINANCIAL  
DISCIPLINE, LOW DEBT COST  
AND REDUCED FX EXPOSURE**

*Average real cost*

(%)





*MINAS GERAIS:  
THE BUSINESS  
ENVIRONMENT TO  
NURTURE GREAT  
COMPANIES*

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



# CEMIG

A Melhor Energia do Brasil.

