



A Melhor Energia do Brasil.

# Successful Strategy

Performance reflects balanced portfolio structure

January, 2010



# Disclaimer

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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 2008, and in particular Item 3, containing “Basic Information – Risk Factors”.

All figures are in BR GAAP.





# Brazil's Leading Power Utility



Integrated  
Utility in  
Brazil

**#1**

Growth in  
EBITDA  
2003-08

**+100%**

Market cap  
of US\$  
10.2B<sup>(1)</sup>

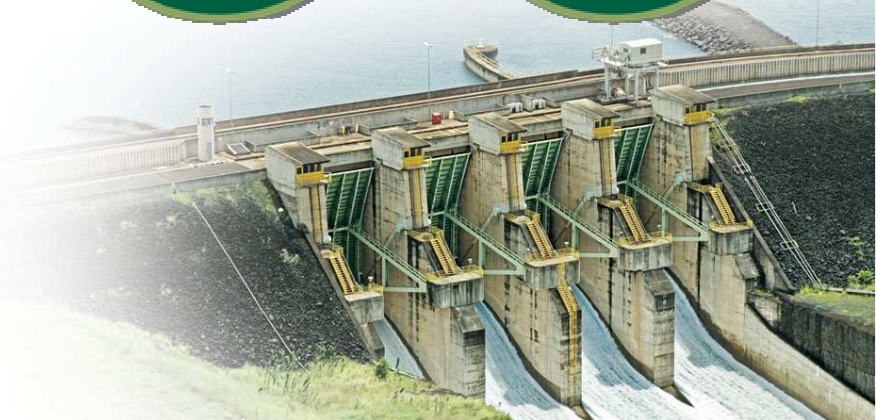
**#2<sup>(2)</sup>**

Role in  
industry

**Leading  
consolidator**

In the Power Industry since 1952

- (1) As of December 15<sup>th</sup> 2009
- (2) In the Power Industry



# Cemig: Strength in Numbers



Number of generating plants

68

Total installed capacity

6,754 MW

Locations in Minas Gerais State

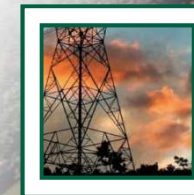
5,415

Size of concession area vs. France

Larger

Distribution lines

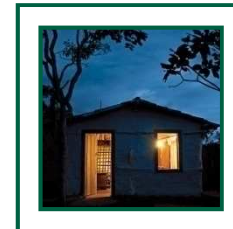
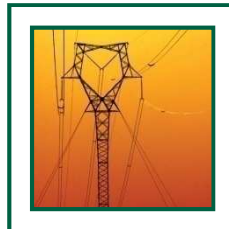
462,788 km



# Cemig at a Glance



- Based in State of Minas Gerais, controlling shareholder
  - growing throughout Brazil and Chile
- Strong financial profile 2008<sup>(1)</sup>
  - Net revenues: R\$ 10.9B
  - EBITDA: R\$ 4.1B
- Highest liquidity in sector
  - listed on 3 stock exchanges: New York, São Paulo, Madrid
  - >116,000 shareholders in 44 countries
  - Average Daily Trading:
    - R\$60M in Bovespa
    - \$30M in NYSE
- Solid dividend policy
  - 50% payout ratio, minimum
- Strong growth outlook
  - repricing of energy contracts
  - acquisitions



# The Cemig Story – Agenda



The positioning

The performance

The growth





# Cemig is Uniquely Positioned



1 The Brazil advantage

2 Unmatched scale

3 Diversified portfolio

4 Leader in renewable energy

5 Strong governance

# An Emerging Powerhouse Economy



Latin America economy

#1

Ranking of economy in world

#10

GDP 2008 (5.3% growth)

R\$2.9T

GDP growth 2010 forecast

4% ~ 5%

Population

191M

Power industry revenue - 2008

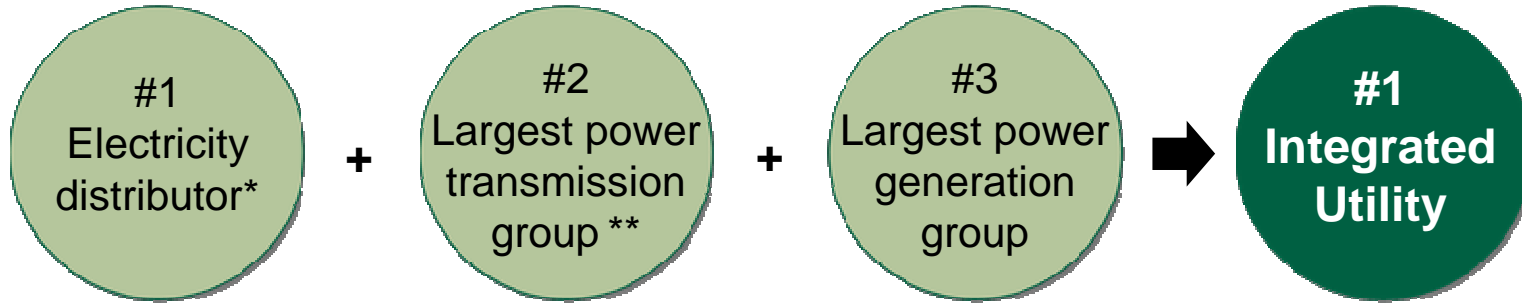
>R\$137B











Investment grade by Moody's, Fitch and S&P

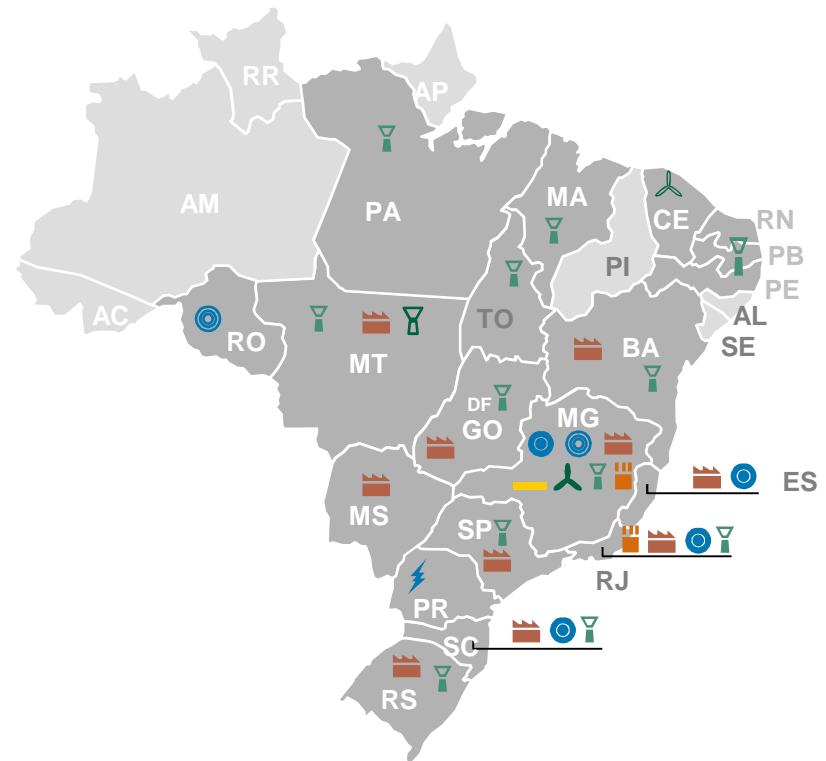




# Largest Integrated Utility in Brazil

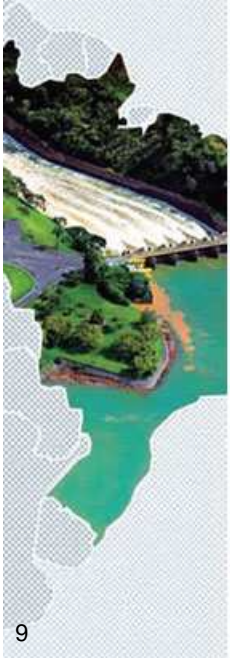


-  Generation
-  Generation (under construction)
-  Transmission
-  Transmission (under construction)
-  Distribution
-  Cemig "Free Consumer" Clients
-  Purchase of Energy
-  Wind Generation
-  Wind Generation (under construction)
-  Gas Distribution



\* in terms of length of distribution lines

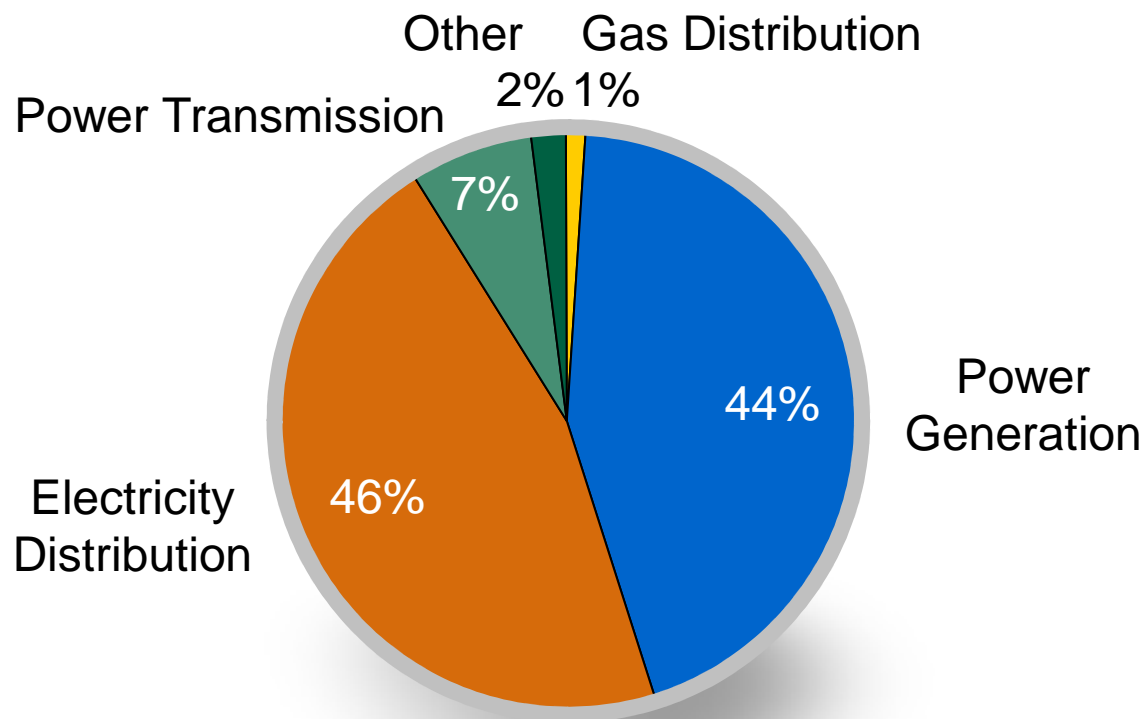
\*\* includes Terna



# Diversified, Low Risk Business Portfolio



### Breakdown of EBITDA (2008)

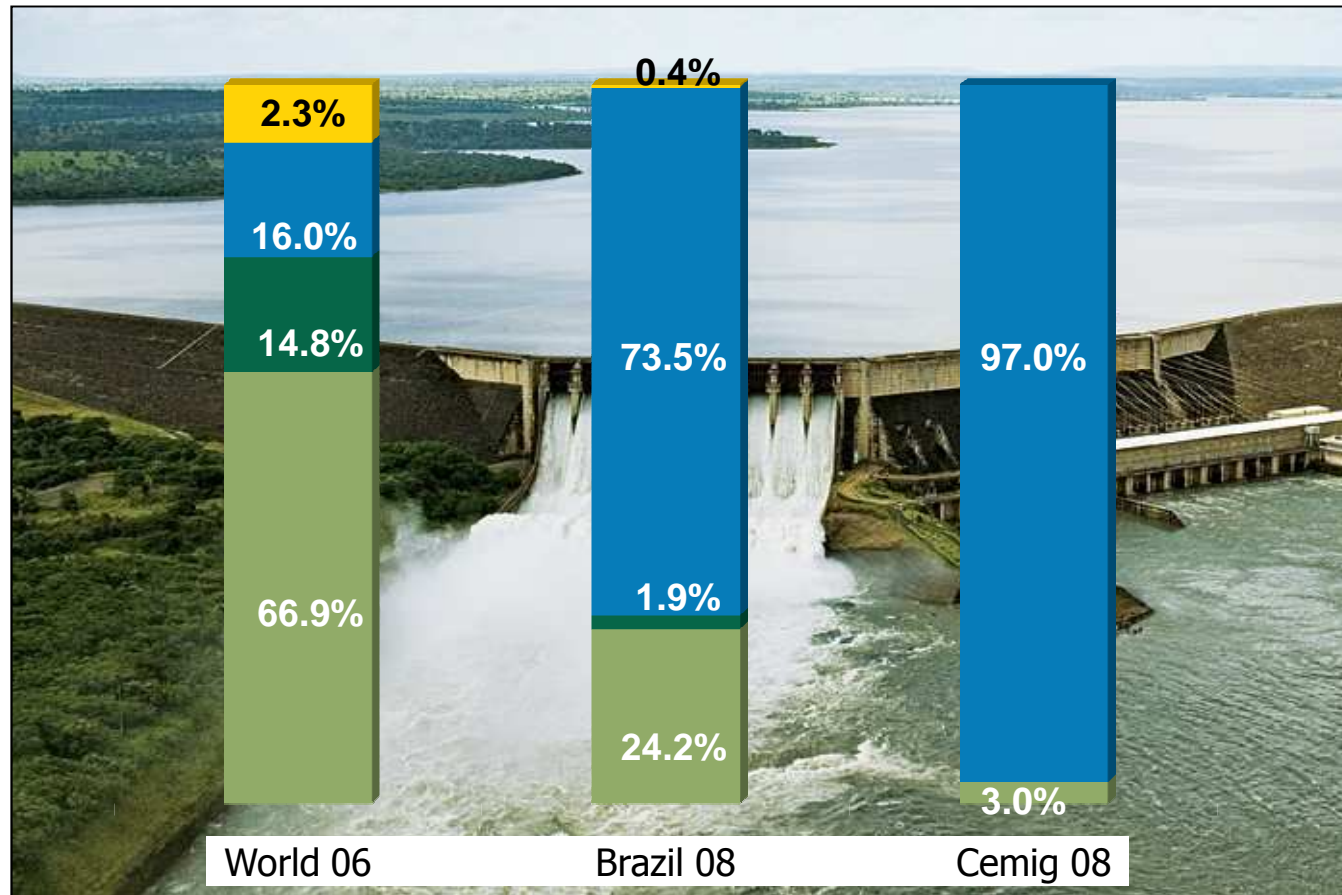


Most of revenues are inflation protected

# Leader in Renewable Hydro Energy



## Generation by Source



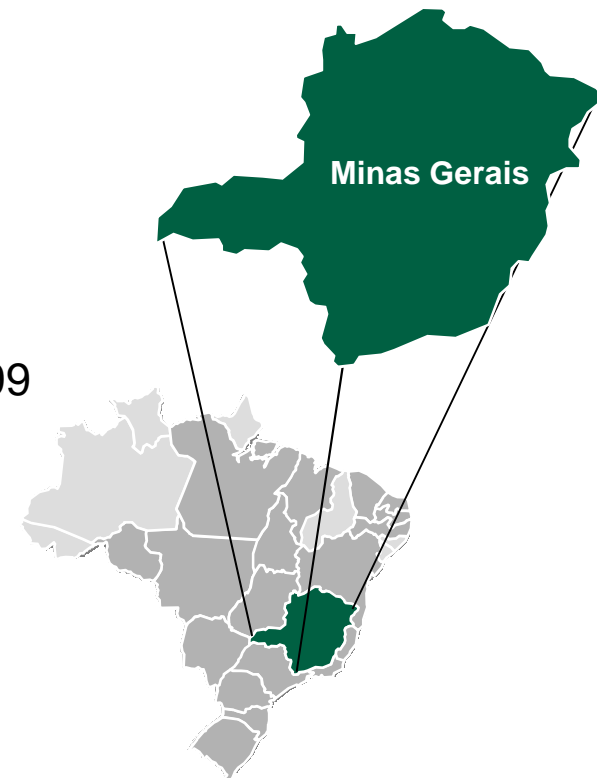
■ Fossil Source Fuels   
 ■ Nuclear   
 ■ Hydro   
 ■ Others



# Best-in-Class Corporate Governance



- ✓ Minas Gerais, controlling shareholder – a positive influence
  - one of fastest growing, investor-friendly states in Brazil
  - growth and profitability interest aligned with minority shareholders
  - 6 from a total of 14 members are appointed by minority shareholders
- ✓ Pro-market corporate bylaws include
  - Minimum 50% dividend payout
  - Capex limited to 40% of EBITDA
  - Net debt limited to 2.5x EBITDA
  - Net debt limited to 50% of total cap.
- ✓ Leader in sustainability
  - only Latin American utility in DJSI since 1999
- ✓ Present in the Global Dow Index



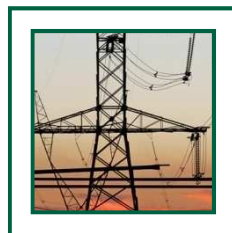
# The Cemig Story – Agenda



The positioning

The performance

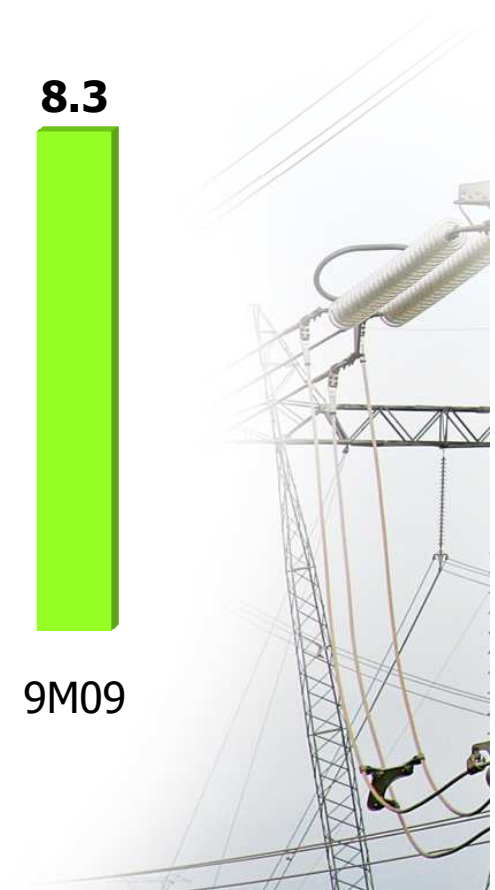
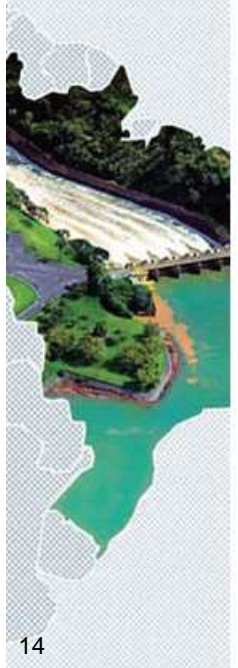
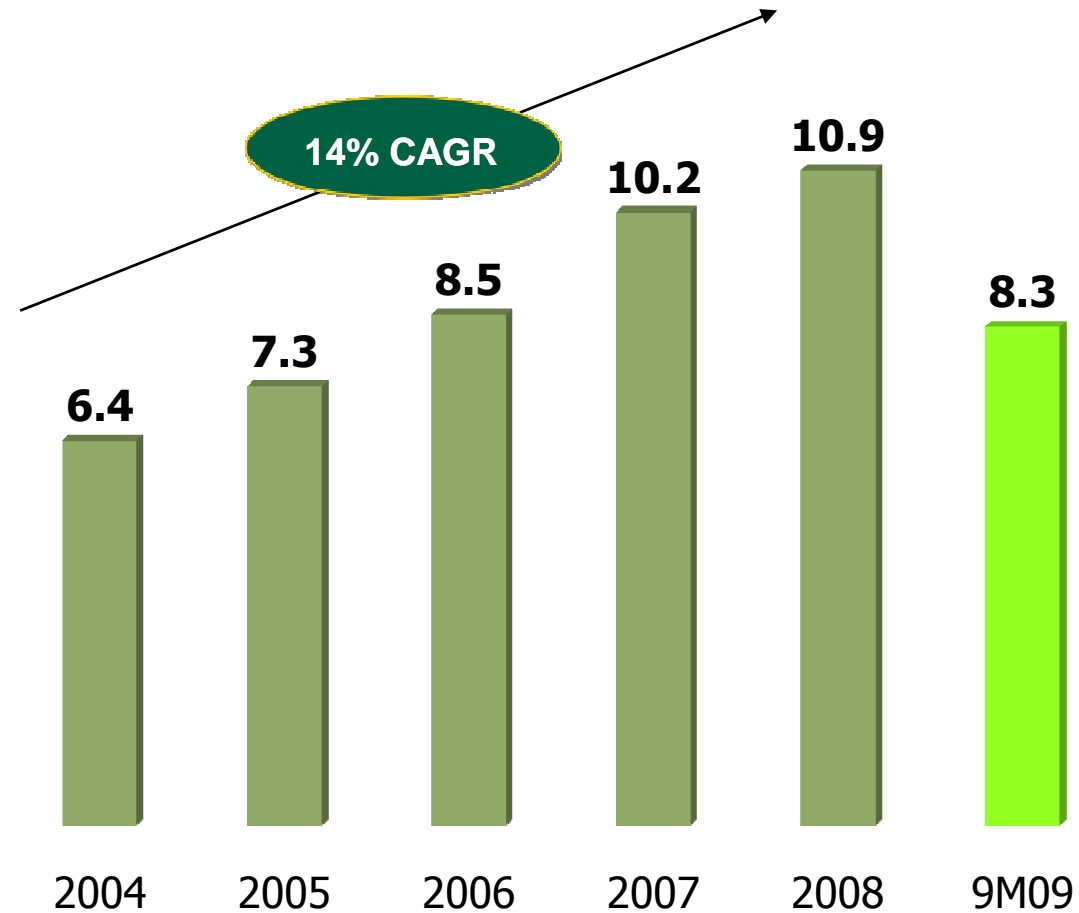
The growth



# Strong Revenue Growth



Net operating revenue R\$ billion

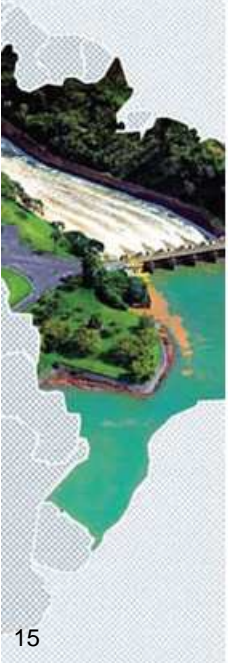
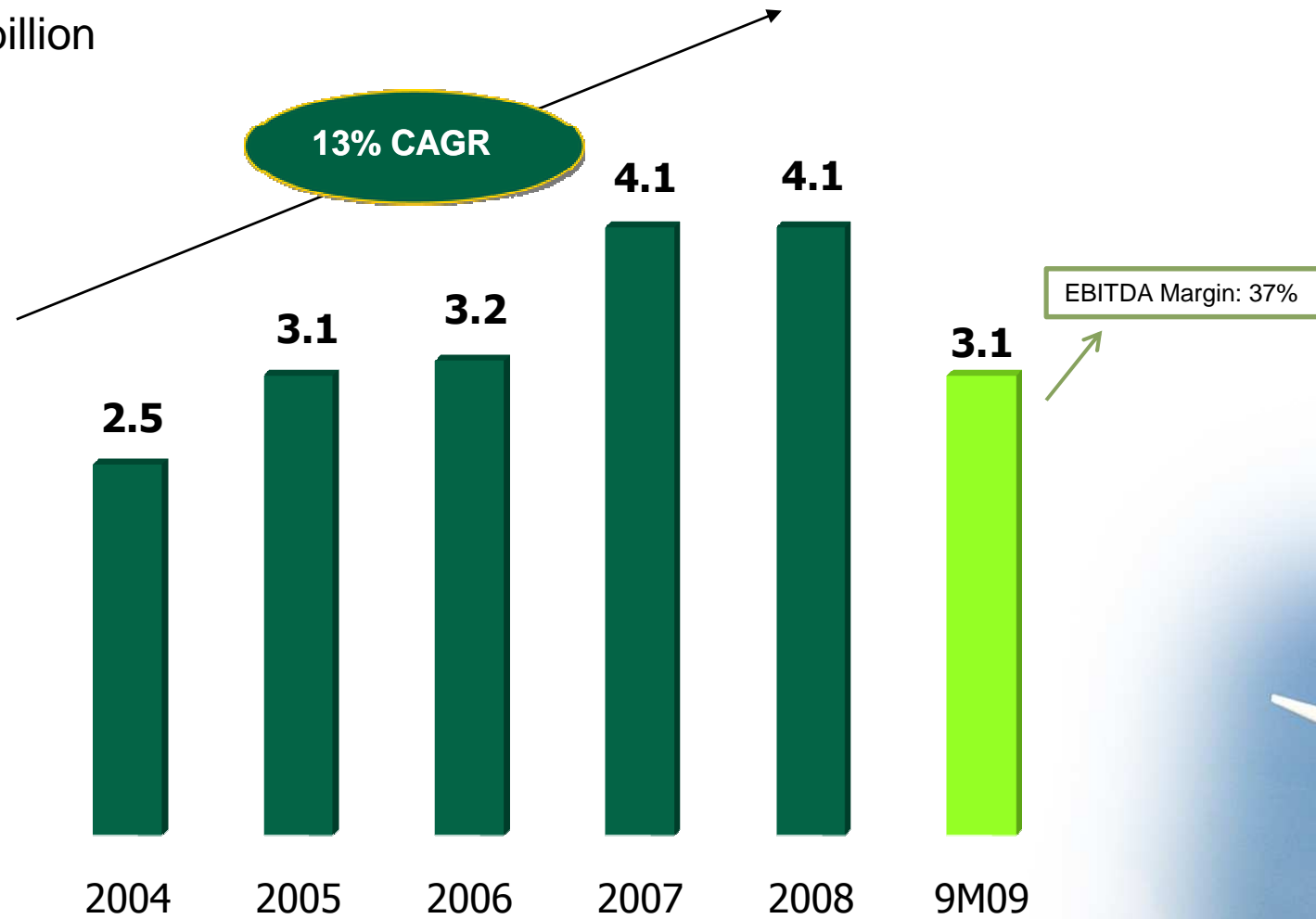




# Similar Growth in EBITDA



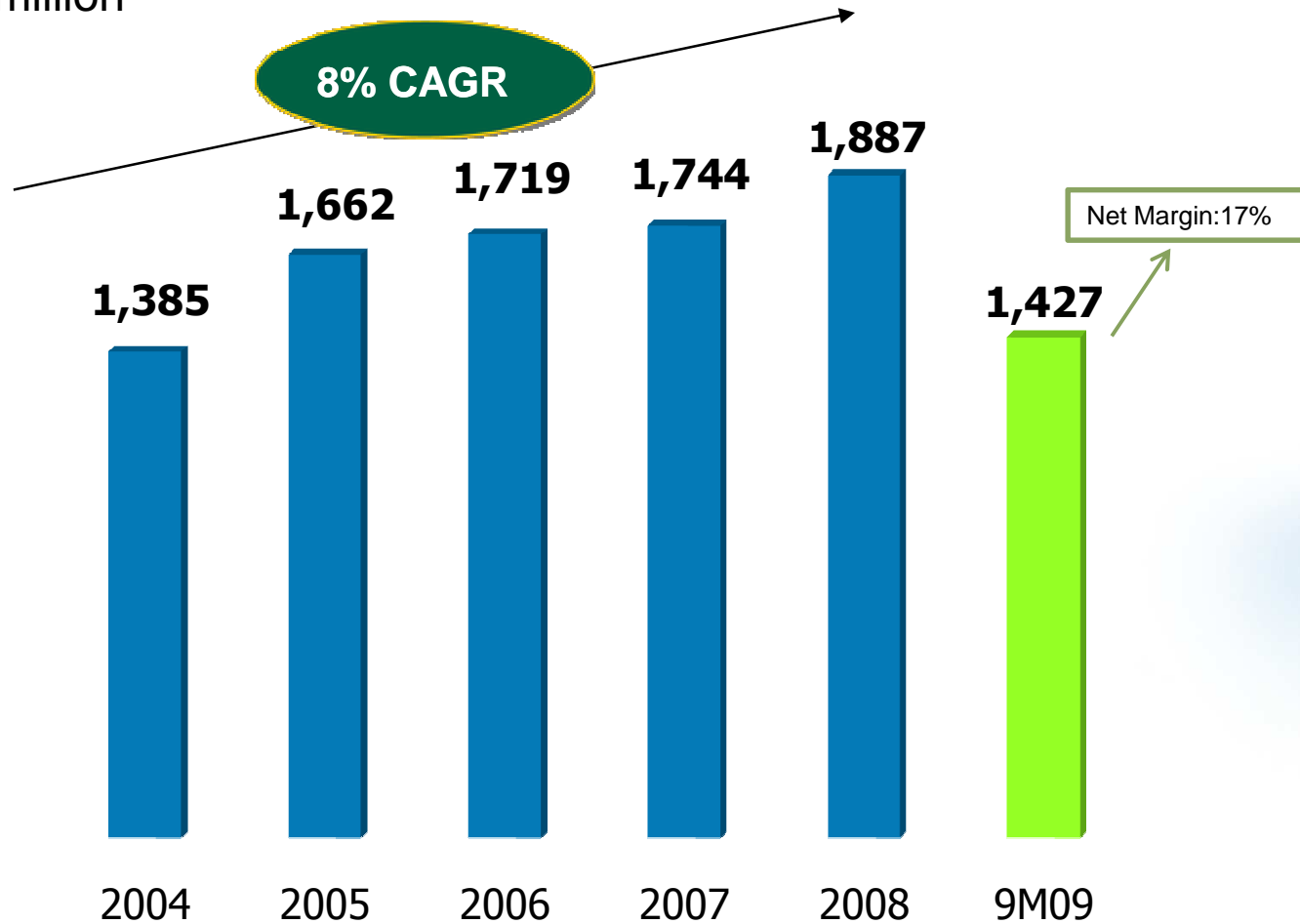
R\$ billion



# Net Income Continues to Expand



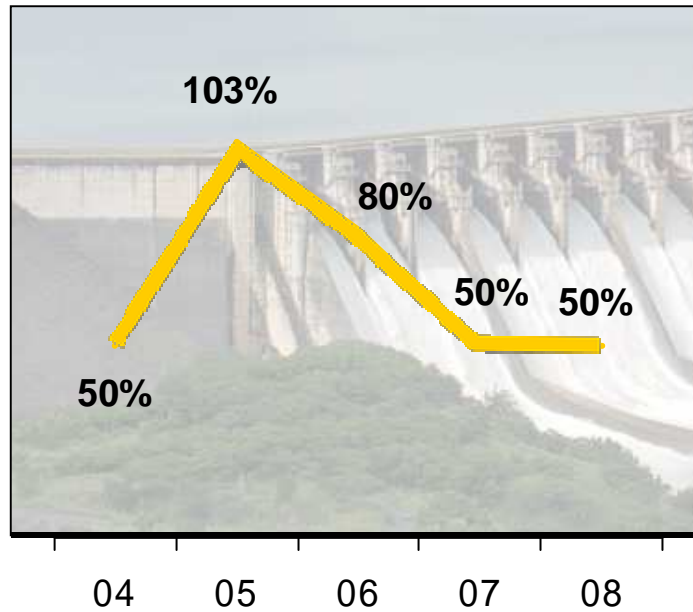
R\$ million



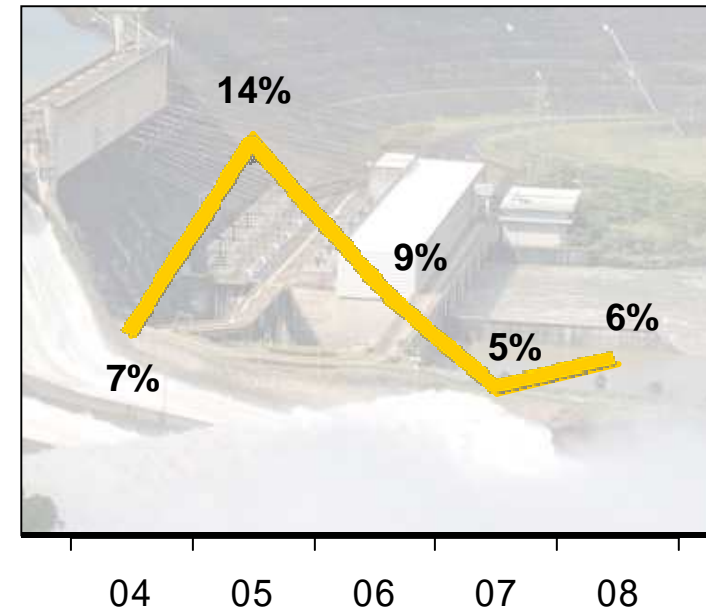
# Attractive and Secure Dividend Payout



Dividend Payout  
(% of Net Income)



Dividend Yield  
(%)





# Strong Balance Sheet to Support Growth



(September 30<sup>th</sup>, 2009)

Net debt to EBITDA

1.4X

Debt in foreign currency<sup>(\*)</sup>

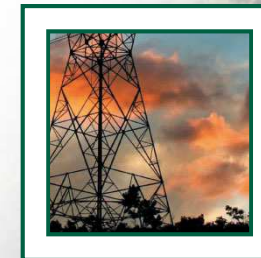
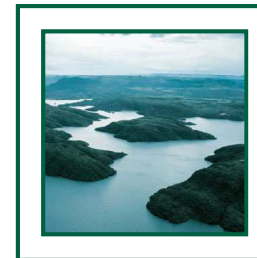
3%

Cash on hand

R\$ 2.7B

Net Revenue 2008

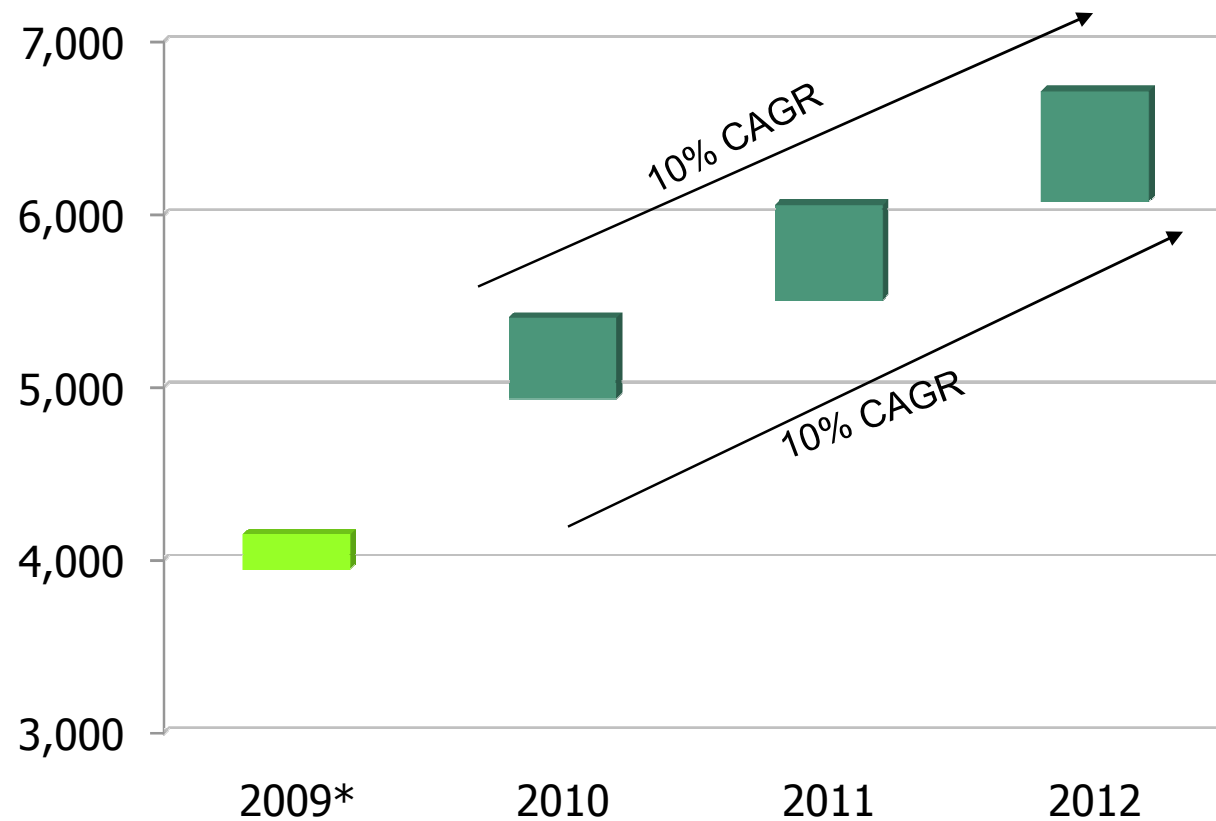
R\$ 11B



# Growth Set to Continue



**EBITDA guidance<sup>(1)</sup> 2009-2012 R\$ million**  
(upper + lower limits of range)



\* The EBITDA guidance for 2009 was reviewed in December

(1) Constant currency as of June 2009. Considers just the existing assets

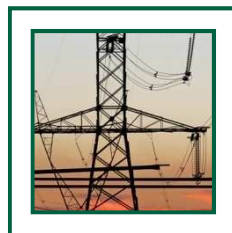
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The positioning

The performance

The growth

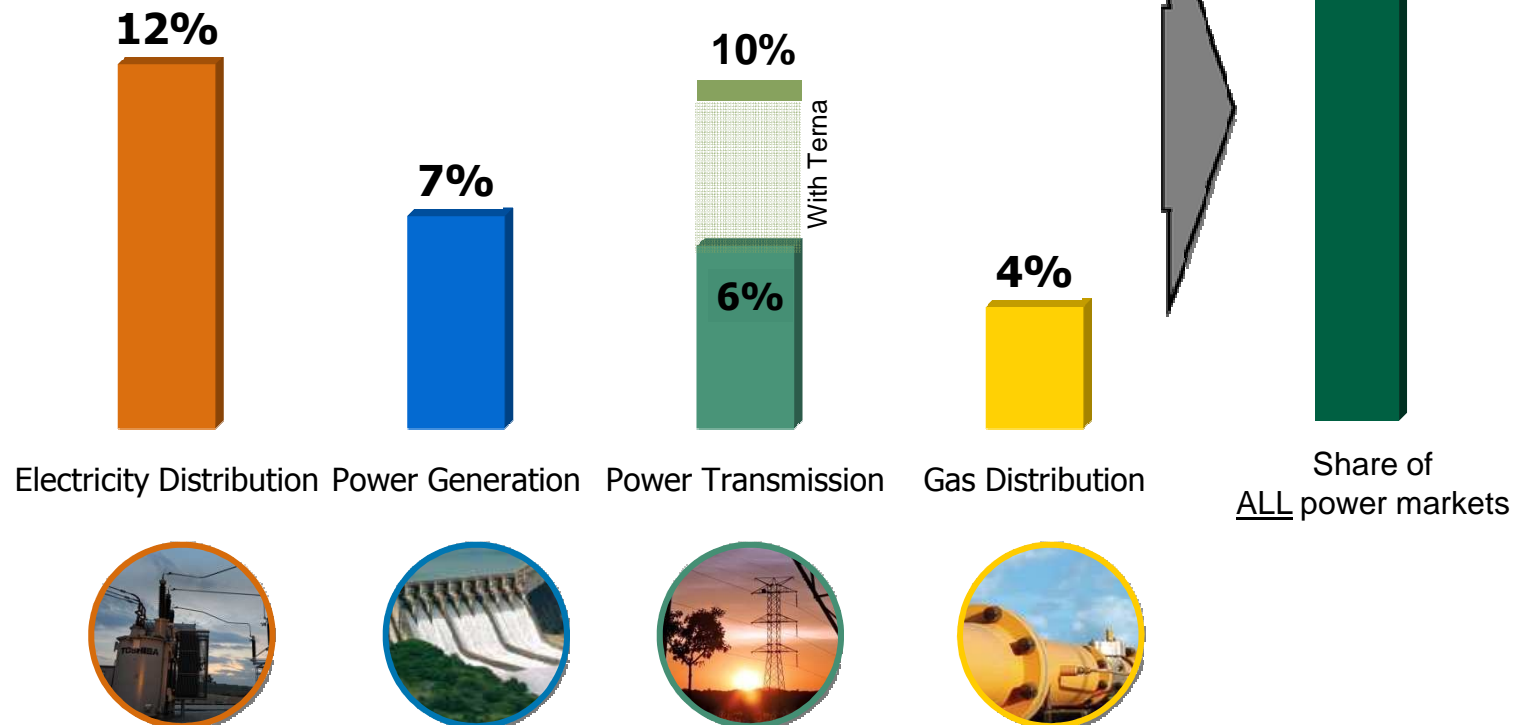


# Clear Long Term Goals



## Current Share of Brazil Markets

## Long Term Goal





# Growth Drivers



1

Geographic expansion



2

Leverage price increases



3

Improve operating efficiency



# Geographic Expansion



## Geographic focus

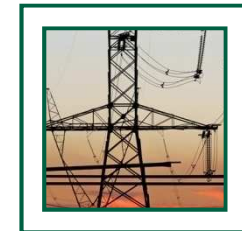
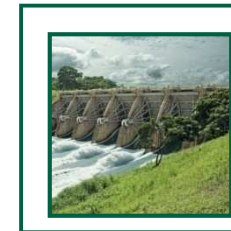
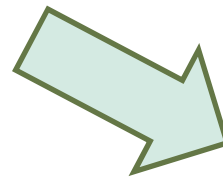
- Within Brazil and selected international investments

## Business focus

- Businesses we know – power generation and transmission, electricity distribution, gas

## Type of investments

- Acquisitions – main driver of short term growth
- Greenfield projects – vehicle for long term growth



Disciplined investment criteria



# Record of Successful Acquisitions



## Disciplined Approach

- Record of 5 acquisitions in last 5 years totaling R\$ 4.9B (excluding debt)



## Case Study: Light (Disco)

- Acquired 25% stake for R\$ 172M in 2006
- Full payback in 2 years



## Case Study: TBE (Transco)

- Acquired TBE stake for R\$ 348M in 2006
- Cemig successfully concluded increase of stake in TBE: R\$ 505M paid in June 2009 (Return >13% real, 91% EBITDA margin)
- In October 2009 Cemig acquired another stake in TBE: R\$ 100M, approximately



# Record of Successful Acquisitions



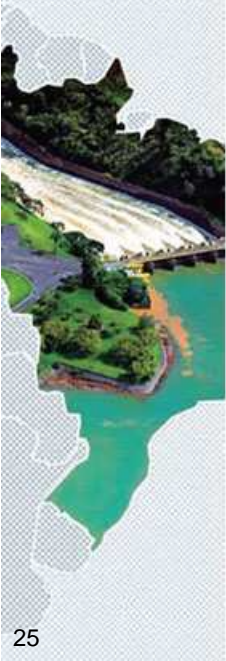
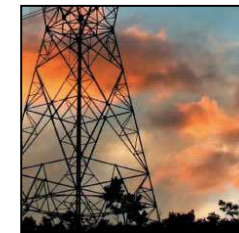
## Case Study: Wind Farms in Ceara (Genco)

- Acquired 49% stockholdings in three wind farms in February 2009
- Price paid for the shares: R\$ 213 million



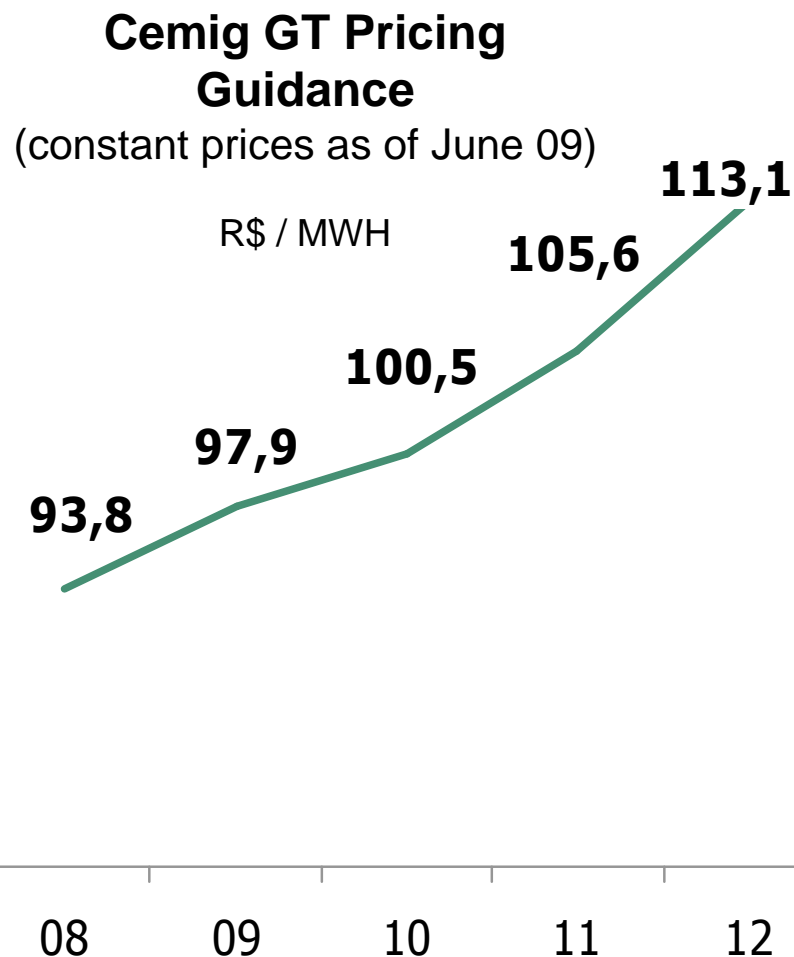
## Case Study: Terna (Transco)

- Acquired 32% stake in 3,753 Km of transmission lines
- Payment of R\$ 1.05 billion in November 2009
- IRR of 10.6% for the base case and 12.5% including additional gains





# Re-Pricing of Power Sales Contracts (\*)



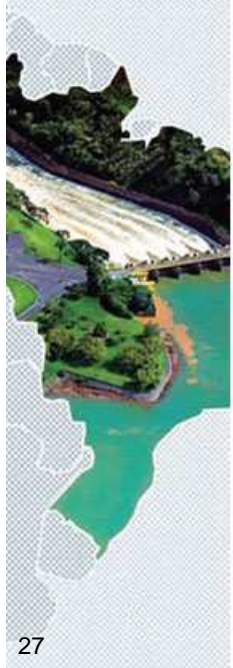
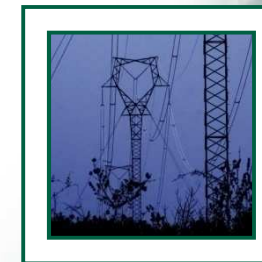
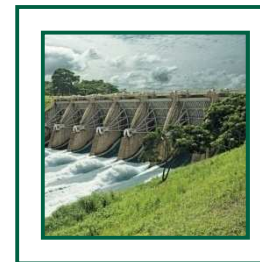
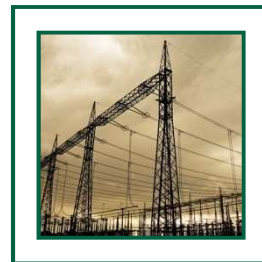
- Large upside beyond 2010

(\*) Cemig Geração e Transmissão

# Continually Improving Operating Efficiencies



- Continuous technological improvement
- Cost reduction program
  - 150 cost cutting initiatives
  - Voluntary Retirement Programs:
    - From 2008 to 2011: 1,500 employees



# Clear Priorities for 2009 – 2010



## Priorities

1 Execute cost reductions

2 Integrate Terna acquisition

3 Participate in green fields

4 Select new acquisitions



# Why Invest in Cemig



Leading power utility in Brazil

Powerful drivers fueling growth

Sound Balance Sheet

Consistent profitable track record

Strong Dividend Policy

World Leader in Sustainability

**CEMIG**  
A Melhor Energia do Brasil.





# Appendix



# Agenda

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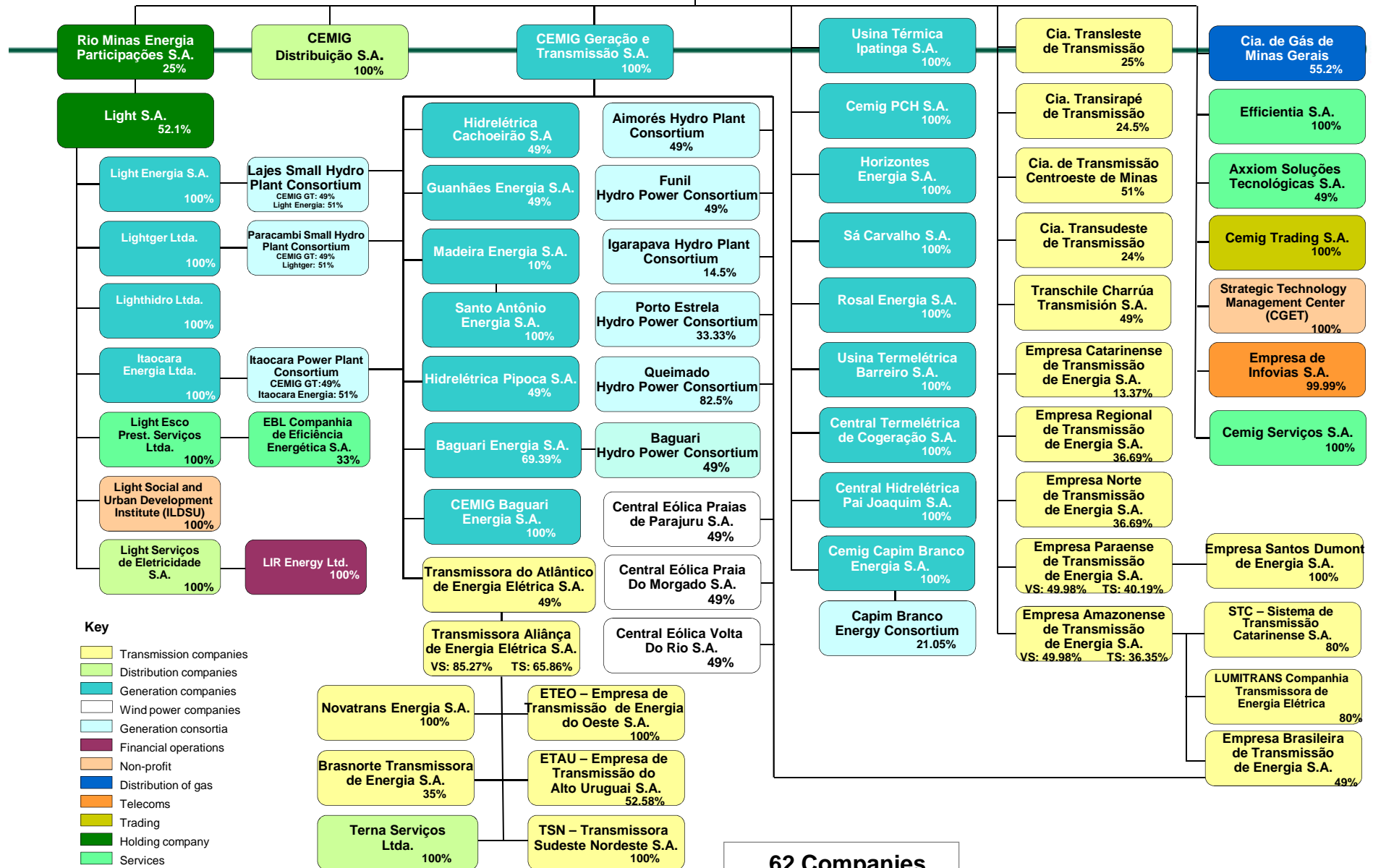


- Background
- Strategy Overview
- Business Outlook
- Our Strategy shows Solid Results
- Market Recognition
- Regulatory Framework

# COMPANIES AND CONSORTIA OF THE CEMIG GROUP

## CIA. ENERGÉTICA DE MINAS GERAIS

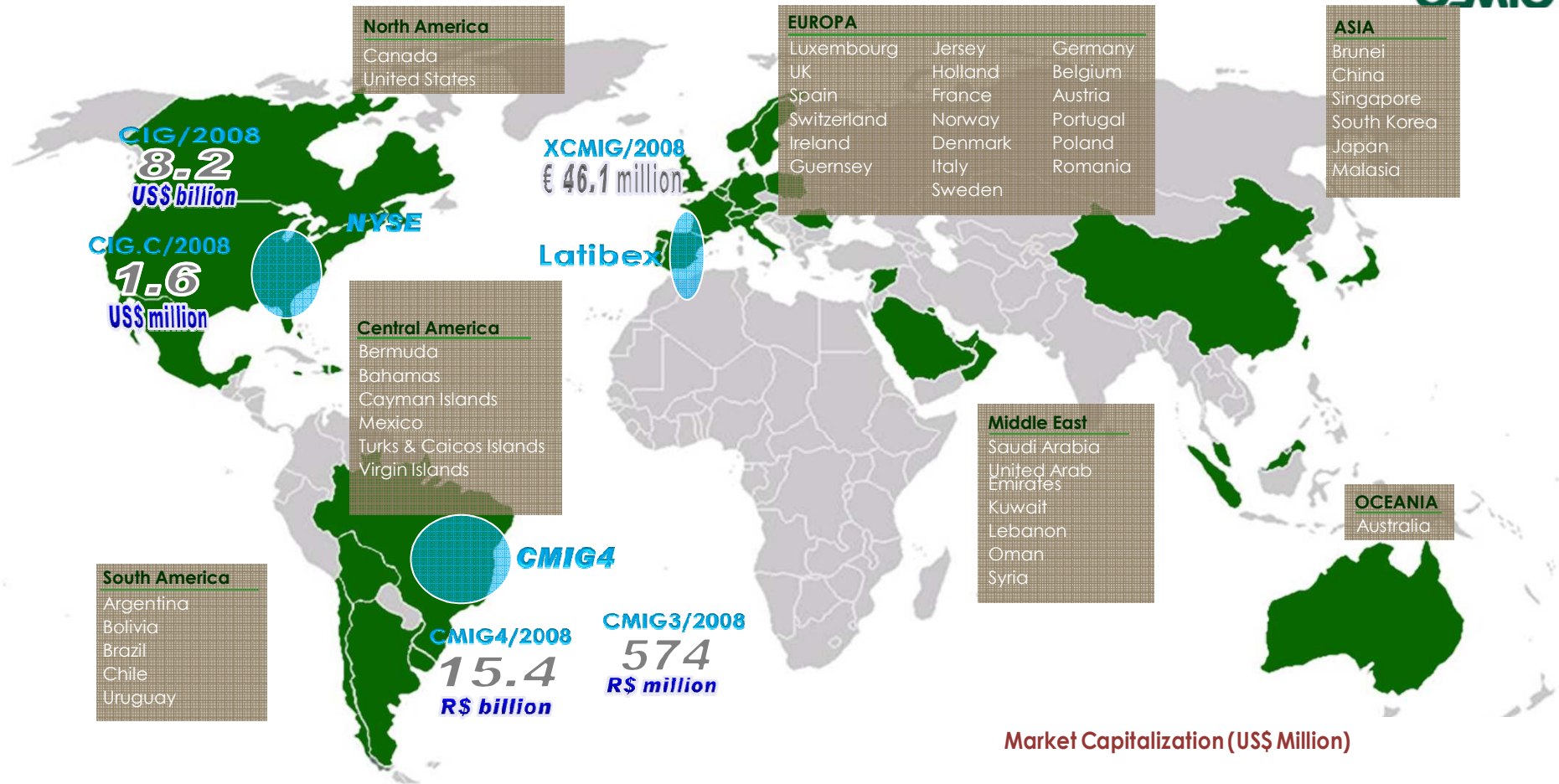
At December 15, 2009



VS = Voting stock TS= Total stock



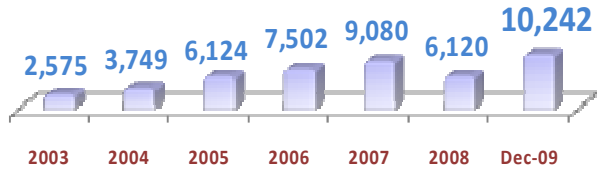
# Strong shareholders base assures liquidity



Average Daily Trading Volume (2008)

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

- Our Shares are traded in 3 Stock Exchanges
- 116,000 shareholders over 44 countries

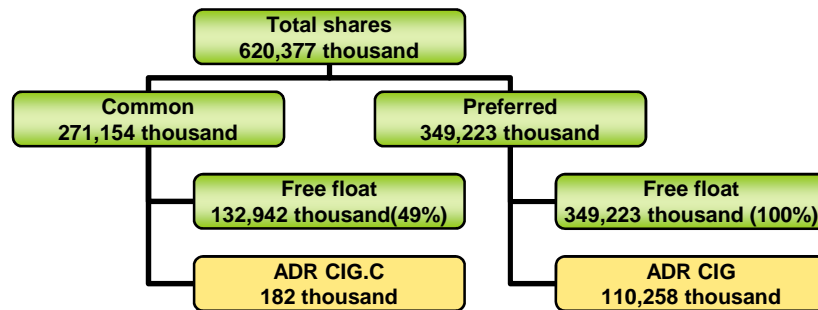




# The blend of shareholders provides long term perspective



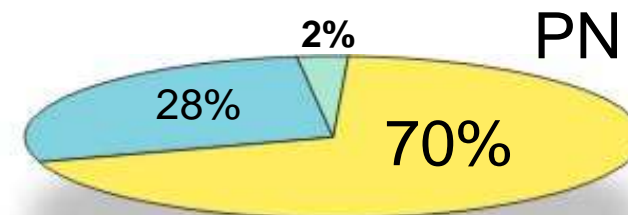
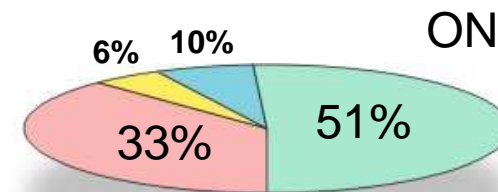
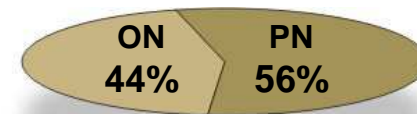
- Our shareholder diversity provides a global business management vision focused on sustainability of the company's activities
- Listed in major stock exchanges
  - **BOVESPA (Brazil)**
  - **NYSE (USA)**
  - **LATIBEX (Spain)**



Share nominal value = R\$5.00

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

Total Shares



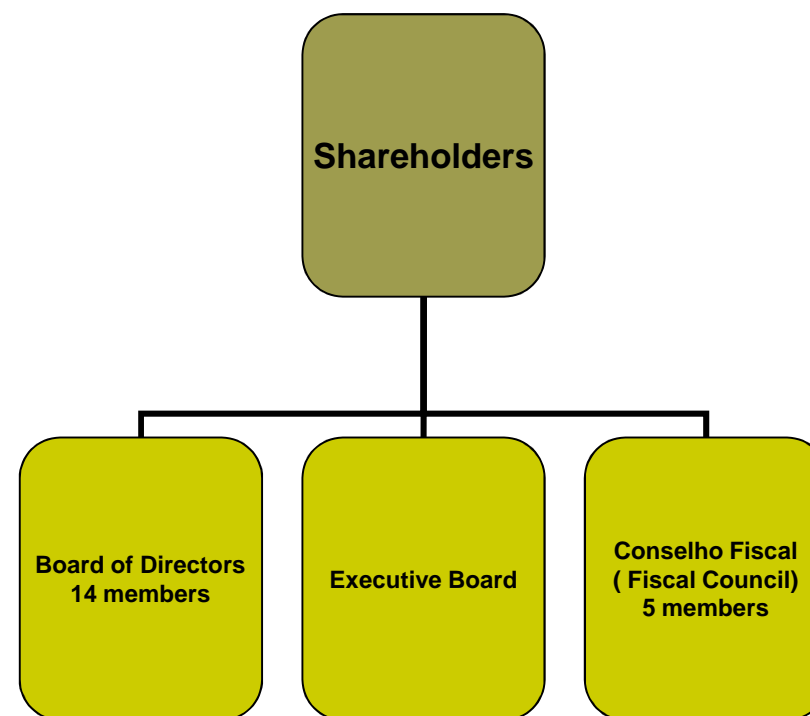
(\*) Controlled by international investors

# Corporate Governance: implementation of best practices



## 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



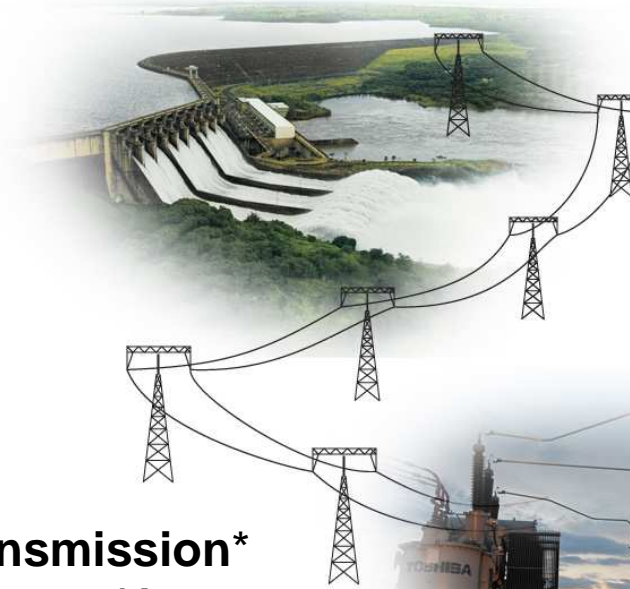
- Social and Environmental responsibilities
- Long-term vision commitment
- To guarantee the preservation of our activities
- Prevent undue costs to be passed to the society through a balanced relationship with the environment and the community
- Recognition of our actions to ensure sustainability:
  - Selected member of Dow Jones Sustainability World Index for the **tenth** 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.



# The Largest Integrated Utility in Brazil



**Generation**  
6,754 MW of capacity



**Free Customers**  
20% share



**Transmission\***  
7,455 Km

**Distribution**  
462,788 Km

**Retail**  
Largest distribution  
company





## Long Term Strategic Plan addresses sustainable growth...

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- 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:
  - Net Debt limited to 2x EBITDA (2.5 x with acquisitions)
  - Net Debt limited to 40% of Total Capitalization (50% with acquisitions)

## Investment policy to guarantee sustainable growth...

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- **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.

# Basic Economic Figures



Income Statement – consolidated (R\$ million)	3Q09	3Q08	3Q09/ 3Q08	9M09	9M08	9M09/ 9M08	2008
Net Revenue	2,993	2,755	8.64	8,335	8,135	2.46	10,890
EBITDA	1,073	1,090	(1.56)	2,888	3,151	(8.35)	4,099
EBITDA Margin %	36%	40%	(9.39)	35%	39%	(10.55)	38%
Net Income	567	516	9.88	1,427	1,606	(11.15)	1,887
Net Margin %	19%	19%	0	17%	20%	(13.28)	17%

Balance Sheet – consolidated (R\$ million)	3Q09	2Q09
Cash and Cash Equivalents	2,769	2,706
Total Assets	26,919	25,127
Total Financial Debt	8,069	7,577
Shareholders' Equity	10,768	9,688
Net Debt (1)	5,300	4,871
Net debt / (stockholders' equity + net debt)	33%	33%

- ✓ Fundamentals remain solid
- ✓ Financial discipline
- ✓ Financial Management focused on long term

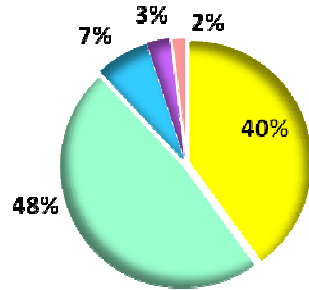
(1) Net Debt = Total Debt – Cash and Cash Equivalents

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

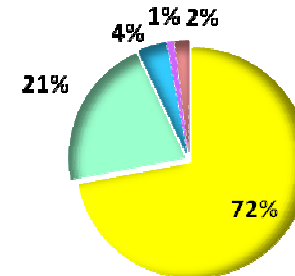


## Cemig Corporation –2008

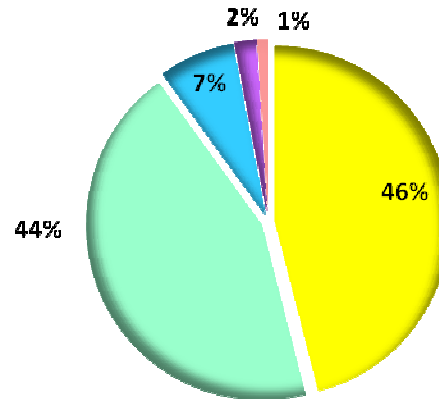
### Net Income



### Net Revenue



### EBITDA



### Distribution

- 2 companies
- Net Revenue : R\$ 7,427 million
- Net Income: R\$ 838 million
- EBITDA: R\$ 1,936 million
- Largest in Brazil (energy transported, number of consumers and network extension)

### Generation

- 14 companies
- Net Revenue: R\$ 2,642 million
- Net Income: R\$ 993 million
- EBITDA: R\$ 1,873 million
- Third largest group in Brazil

### Others

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

### Holding

- Net Revenue : R\$ 488 thousand
- Net Income: (R\$ 189) million
- EBITDA: (R\$ 118) million

### Gas Distribution

- 1 company
- Net Revenue : R\$ 302 million
- Net Income: R\$ 47 million
- EBITDA: R\$ 50 million
- Sixth largest in Brazil

### Transmission

- 12 companies
- Net Revenue : R\$ 381 million
- Net Income: R\$ 145 million
- EBITDA: R\$ 277 million
- Third largest group in Brazil



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



### Net Income per Company

Company	2008	2007	2008/2007
Cemig Distribuição	709	774	-8%
Cemig Geração/Transmissão	986	752	31%
RME (Light)	129	147	-13%
Gasmig	47	46	2%
Infovias	23	56	-60%
TBE	36	29	26%
Cemig Holding	(189)	(176)	7%
Others	99	71	39%
<b>Cemig Consolidated</b>	<b>1,887</b>	<b>1,743</b>	<b>8%</b>

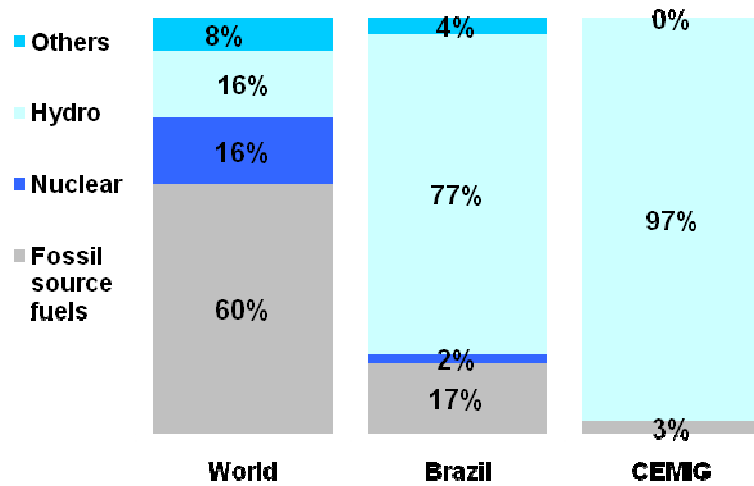
### Ebitda per Company

Company	2008	2007	2008/2007
Cemig Distribuição	1,606	1,824	-12%
Cemig Geração/Transmissão	1,924	1,694	14%
RME (Light)	329	247	34%
Gasmig	50	56	-10%
Infovias	52	93	-44%
TBE	74	61	21%
Cemig Holding	(118)	(48)	146%
Others	126	85	47%
<b>Cemig Consolidated</b>	<b>4,100</b>	<b>4,062</b>	<b>8%</b>

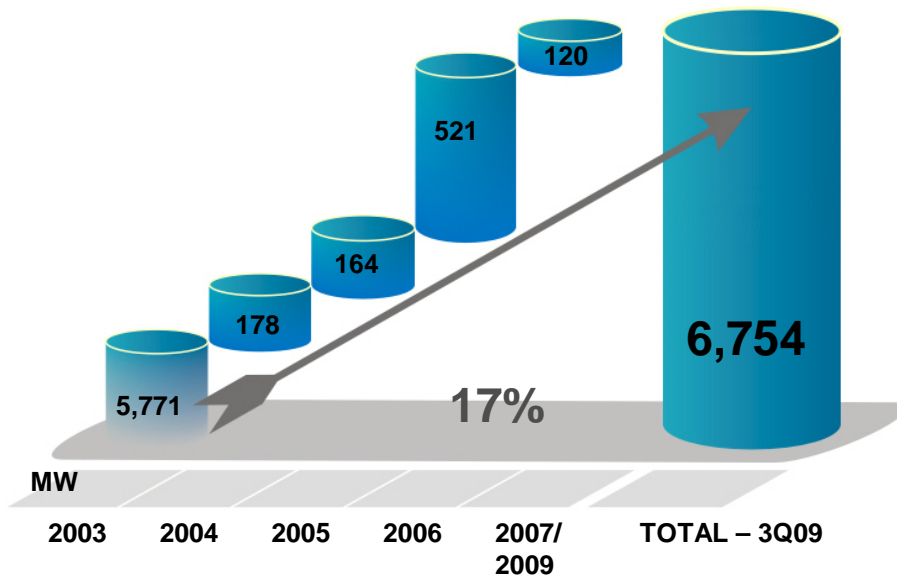
# Our power matrix ensures **higher operational margins** and low environmental impacts



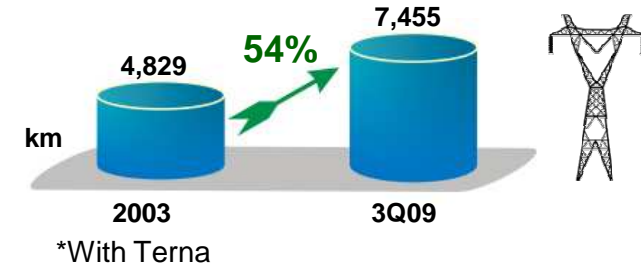
## Power Generation by Fuel Source



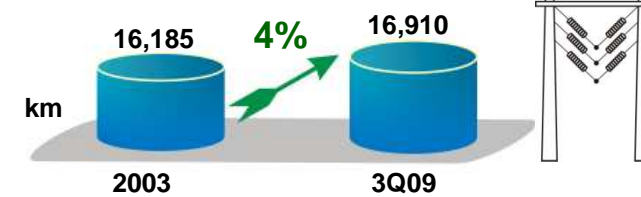
## Power Generation



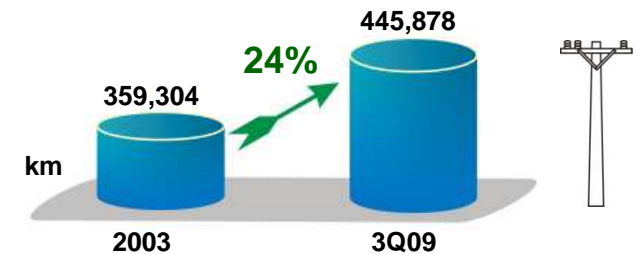
## Transmission lines\*



## Sub-transmission lines



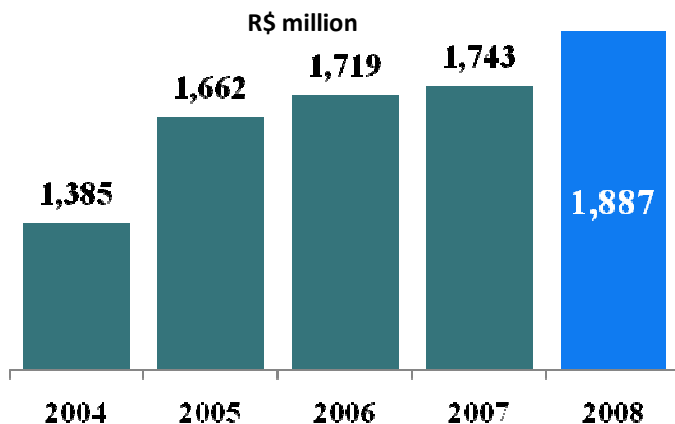
## Distribution lines



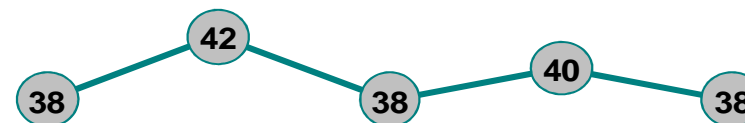
# Financial highlights



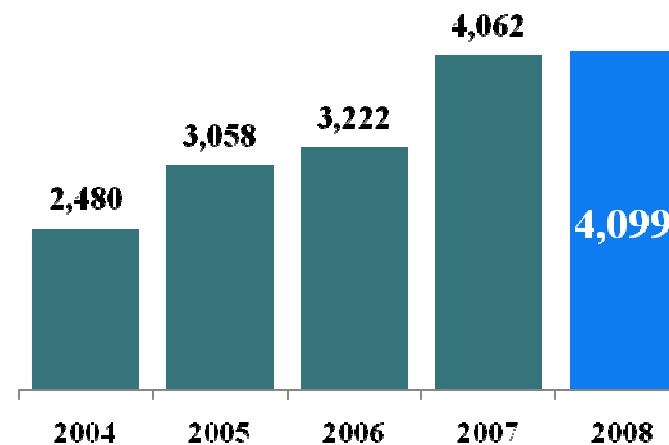
Net income



Ebitda margin (%) consolidated



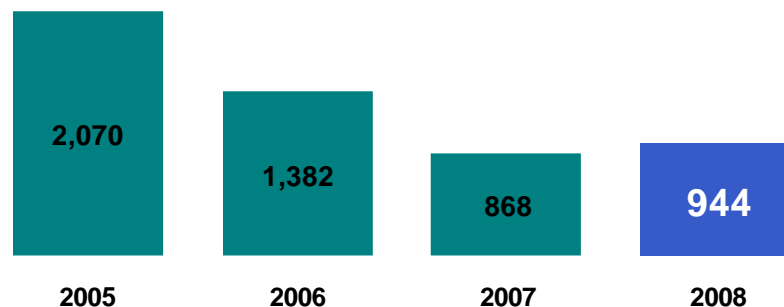
Ebitda (R\$ million)



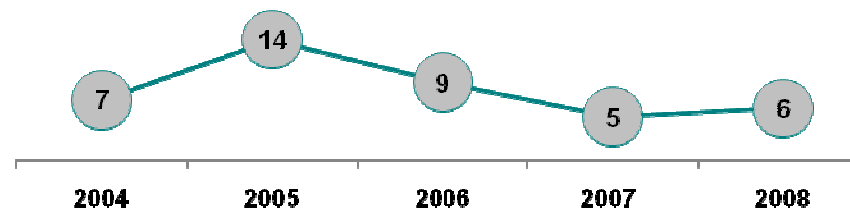
Dividend pay-out  
(% of Net income)



Dividends  
(R\$ Million)



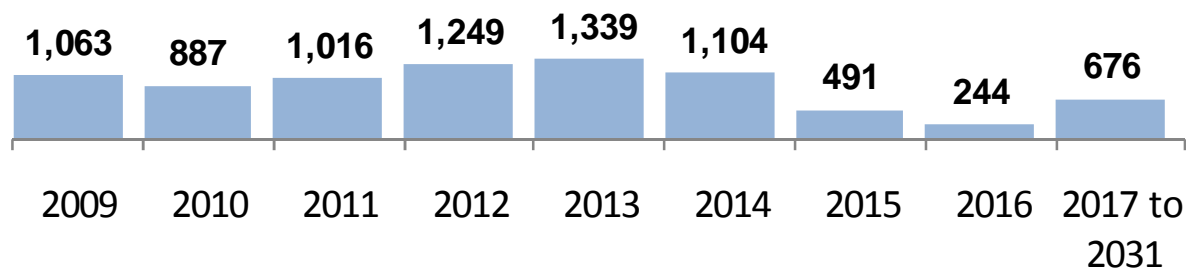
Dividend Yield (%)



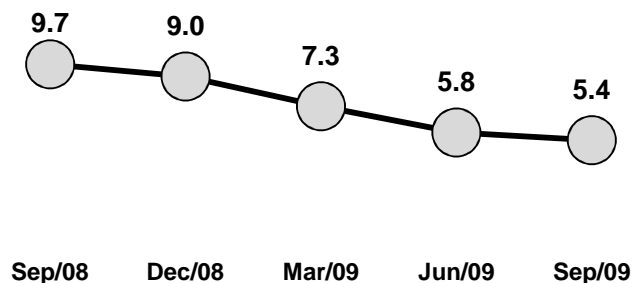
# Extended debt profile with cost reduction



Maturity Schedule  
Average period: 4 years



✓ Captured basic interest rate reduction



Consolidated Debt  
9/30/2009

Description	CEMIG consolidada		CEMIG GT		CEMIG D	
Total Debt	8,069		3,464		2,614	
Debt in foreign Currency	405	5%	113	3%	206	8%
Net Debt	5,300		2,049		2,101	
EBITDA/Interest	5.49		7.15		3.69	
Net Debt/ EBITDA	1.38		0.91		2.19	
Net Debt/ (Equit + Net Debt)	32.98%		32.15%		44.31%	

(1) Net debt = Total debt – (cash and cash equivalents).

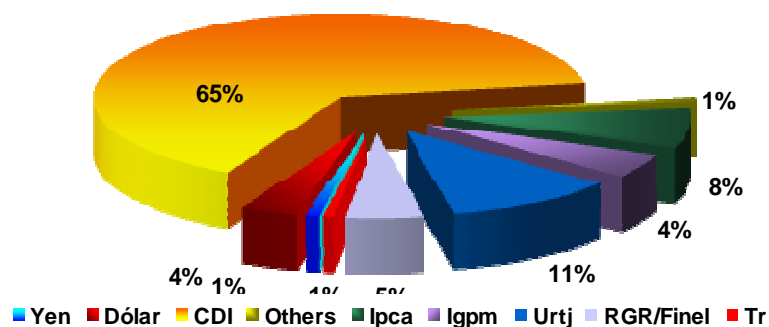


# Financial discipline to lower debt cost and reduce FX exposure



## Main indexes

September 2009



## Main Creditors

Banco do Brasil	R\$ 1,803 (23%)
Debt Holders	R\$ 1,831 (24%)
Banco Itaú BBA(*)	R\$ 1,072 (14%)
Bradesco (*)	R\$ 734 (9%)
BNDES	R\$ 662 (9%)
Unibanco	R\$ 560 (7%)
Eletróbrás	R\$ 401 (5%)
Votorantim	R\$ 157 (2%)
ABN Amro Bank	R\$ 126 (2%)
Banco do Nordeste	R\$ 73 (1%)

(\*) – Includes FIDC

# Superior credit capacity recognized by the major rating agencies



A+.bra Cemig H, Cemig GT and Cemig D National scale



Aa1.br Cemig GT and Cemig D National scale  
Aa2.br Cemig H National scale  
Baa3 Cemig GT and Cemig D Global scale  
Ba1 Cemig H Global scale



brAA- Cemig GT and Cemig H National scale  
brAA Cemig D National scale  
BB Cemig H, Cemig GT and Cemig D Global scale

*Solid fundamentals assured by excellent financial management, stable profitability, strong cash generation and robust corporate governance.*

# Opportunities of raising funds to finance expansion

Cemig is ready to enjoy market liquidity



## Local Bank Market

- Debt rollover
- Assignment of receivables
- Project Finance (Cemig as a minority shareholder)

## Local Capital Market

- Debêntures are the major source of funds for investment (long term and inflation indexed)
- Securitizations

## International Capital Market

- Eurobonds (high liquidity, long term, but proceeds used only to refinance existing debt)
- Perpetual bonds as a viable alternative in the long run

## Multilateral Agencies

- CAF, JBIC, KfW, IFC, IDB
- Long term
- Attractive costs
- Tax breaks on remittance of interests

- **Eletrobrás:** long term, attractive costs, but restricted to rural electrification

## 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



# Agenda

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- Background
- Strategy Overview**
- Business Outlook
- Our Strategy shows Solid Results
- Market Recognition
- Regulatory Framework

# Strategic Plan Results

✓ Expansion:



## Increased participation in TBE

- ✓ Approved by the Board of Directors on October 29
- ✓ Seller: MDU Resources Luxembourg II LLC, S.à.r.l
- ✓ Approximate amount: R\$100 million referring to September 30, 2009. Final amount depends on whether or not the partners exercise their right of first refusal
- ✓ Shares in the following companies will be acquired:

Company	Voting Capital	Total Capital
ENTE	13.3%	13.3%
ERTE	13.3%	13.3%
ECTE	Up to 10%	Up to 10%

- ✓ The operation still depends on approval by ANEEL, BNDES and other financing entities
- ✓ This acquisition shows Cemig's growth strategy through minority shares, ensuring partners the right of first refusal

---

## Cemig advances in the transmission sector

- ✓ Segment with greatest cash flow predictability and stability
- ✓ Long-duration contracts readjusted for inflation
- ✓ After the expanded participation in TBE and acquisition of Terna, contribution of the transmission business to the Company's consolidated EBITDA would have been close to 14% in 2008 (pro forma)
- ✓ New installed transmission capacity will reach 7,455 Km
- ✓ Grid with national reach: presence in 13 Brazilian states and in the Federal District
- ✓ Potential for synergies to be explored

# Strategic Plan Results

✓ Expansion:



## New generation projects: continuous growth

### ✓ Start Up of Baguari Hydroelectric Plant

- Installed Capacity: 140 MW
- Cemig's Participation: 34%
- 120 days earlier than the initial schedule



### ✓ Start Up of Parajuru Wind Plant

- 28.8 MW of installed capacity
- Cemig's Participation: 49%



### ✓ Presence in the wind sector is strategic

- Brazilian potential estimated to be 140 GW
- By the end of the year, an additional 70.8 MW will be inaugurated by Cemig
- We are studying more than 400 MW in new projects through partnerships

### ✓ **Cemig's new installed generation capacity: 6,754 MW**



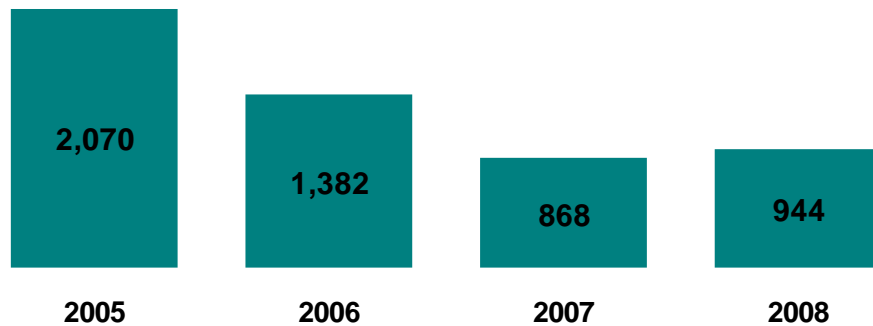
# Strategic Plan Results



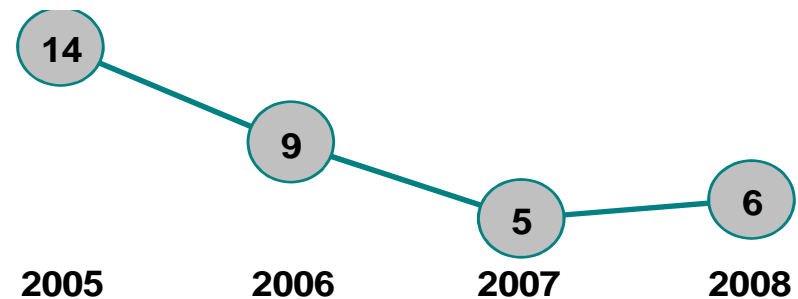
## ✓ Dividends:

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

**Dividends**  
(R\$ Million)



**Dividend Yield (%)**

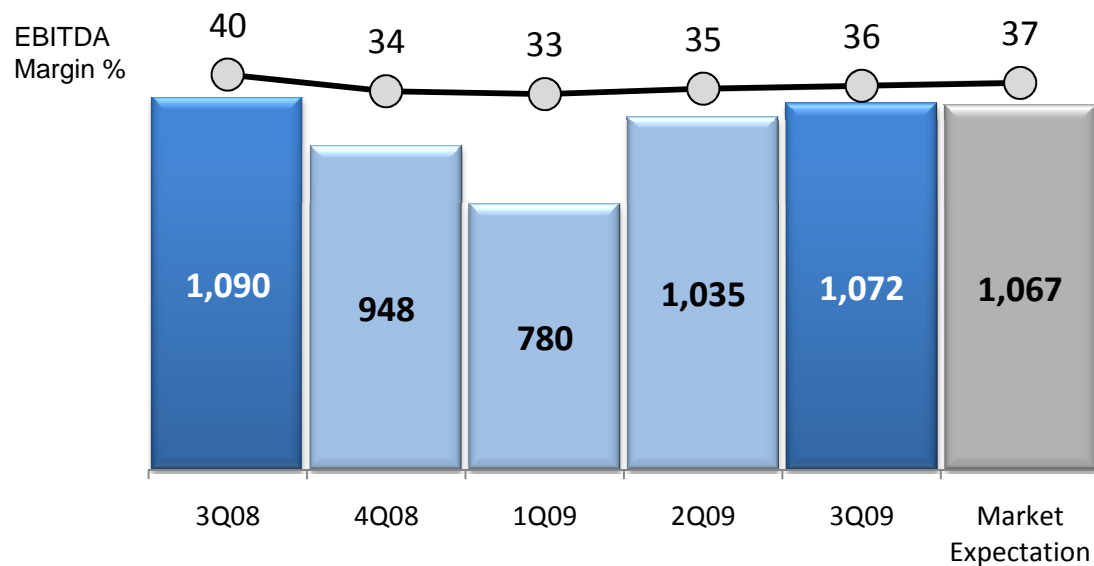


# Strategic Plan Results

✓ Solid Financial Situation:

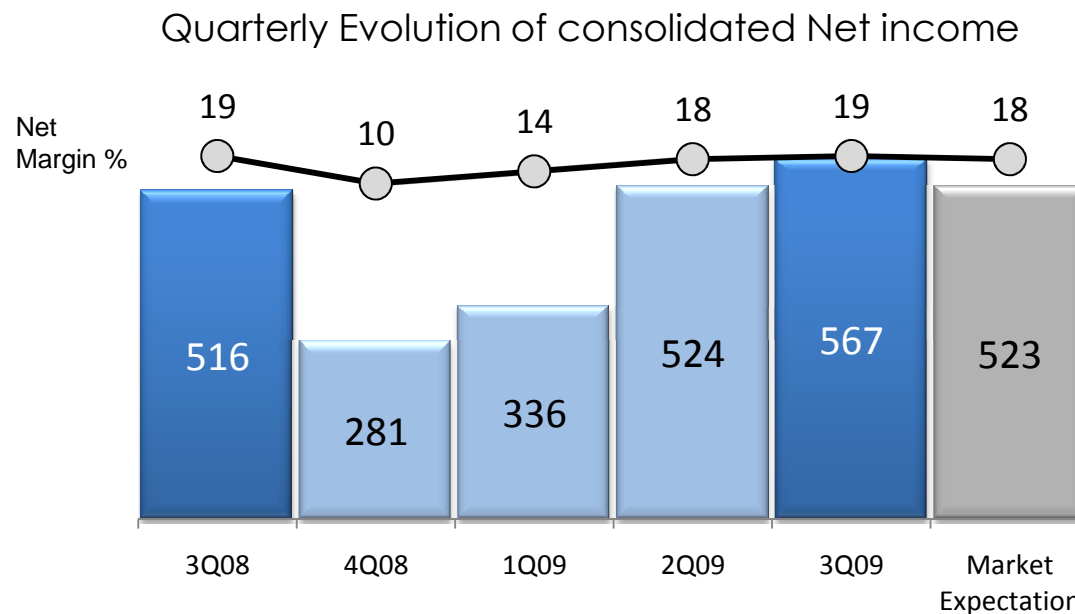


Quarterly Evolution of consolidated EBITDA



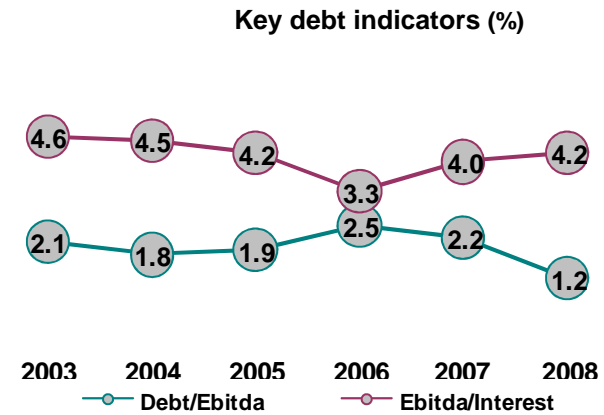
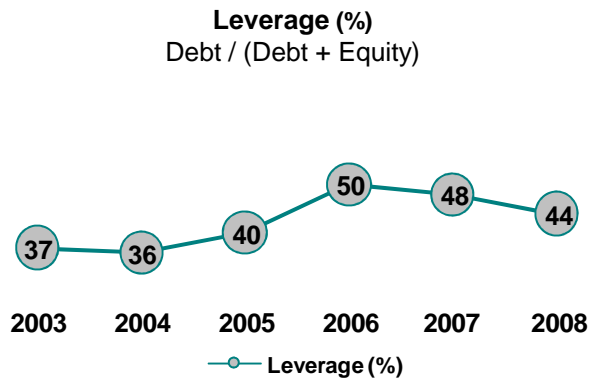
- ✓ EBITDA margin grows for the second consecutive quarter, reaching 36%
- ✓ EBITDA remains stable in relation to the pre-crisis period (3Q09/3Q08)
- ✓ Value realized in line with market expectations

# Strategic Plan Results ✓ Solid Financial Situation:

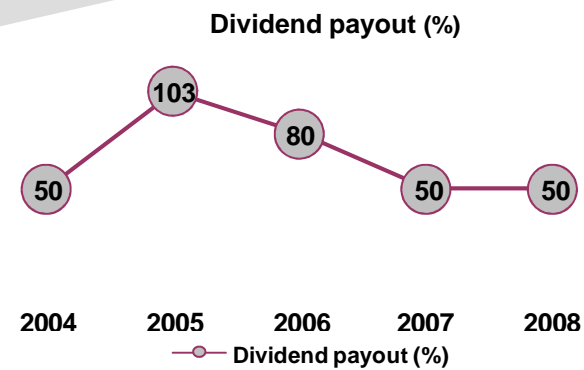
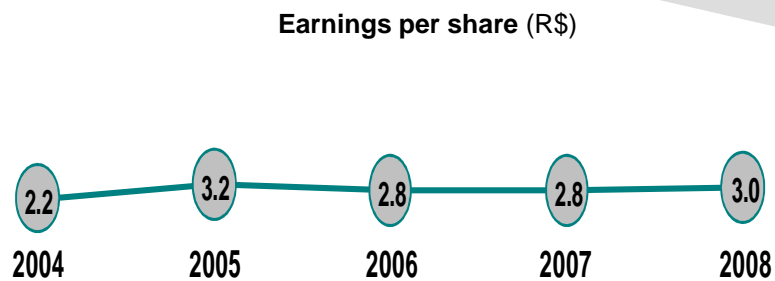


- ✓ We attained our best Net Income in the last 4 quarters
- ✓ Results driven by growth in all operations
- ✓ Commercial strategy and balanced business portfolio resulted in Net Margin reaching 19%

# Continuous improvement of our KPI



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



## Results from operations (R\$ Million)



<b>Net Revenues</b>	<b>1Q08</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>2008</b>
Generation	640	660	760	711	2,771
Distribution	1,978	1,790	1,843	1,888	7,499
Transmission	114	112	122	128	476
Gas	72	76	79	75	302
<b>EBITDA</b>	<b>1Q08</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>2008</b>
Generation	439	441	568	414	1,862
Distribution	471	396	387	331	1,936
Transmission	73	70	47	97	287
Gas	13	14	16	7	50
<b>EBIT</b>	<b>1Q08</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>2008</b>
Generation	384	390	489	399	1,661
Distribution	411	337	364	334	1,503
Transmission	58	60	62	57	237
Gas	12	13	15	6	46



# Agenda

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- Background
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# Basics of our business portfolio



- 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

# Power Generation: Cemig



## Cemig's consolidated generation assets (September/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	901	511
<b>Total hydro-electric</b>	<b>6,555</b>	<b>3,932</b>
<b>Total thermal</b>	<b>184</b>	<b>83</b>
<b>Wind</b>	<b>15</b>	<b>7</b>
<b>Total</b>	<b>6,754</b>	<b>4,021</b>

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

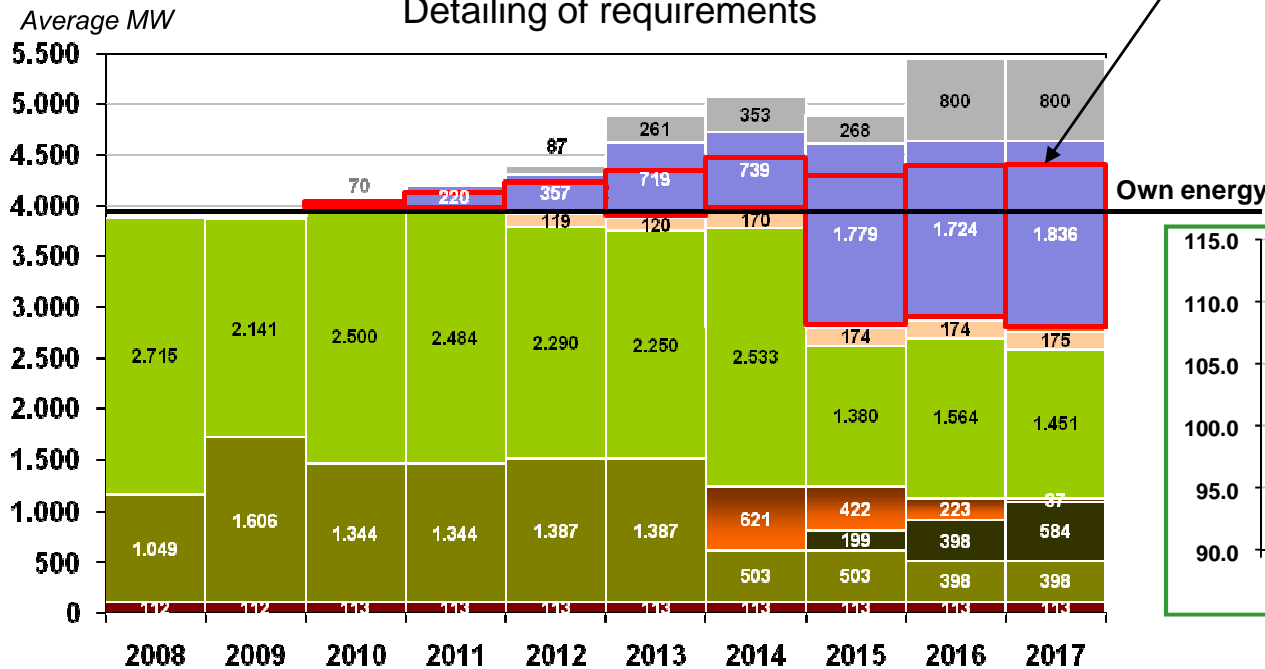
# Our power generation contracts start re-pricing in 2010



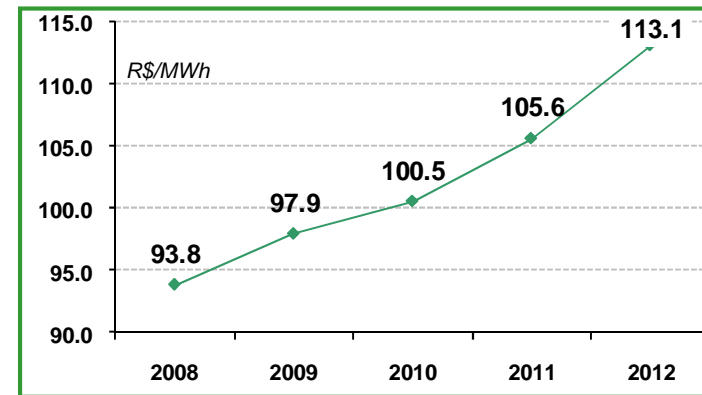
## Cemig GT - Balance of supply and demand

Probable renewals

### Detailing of requirements



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

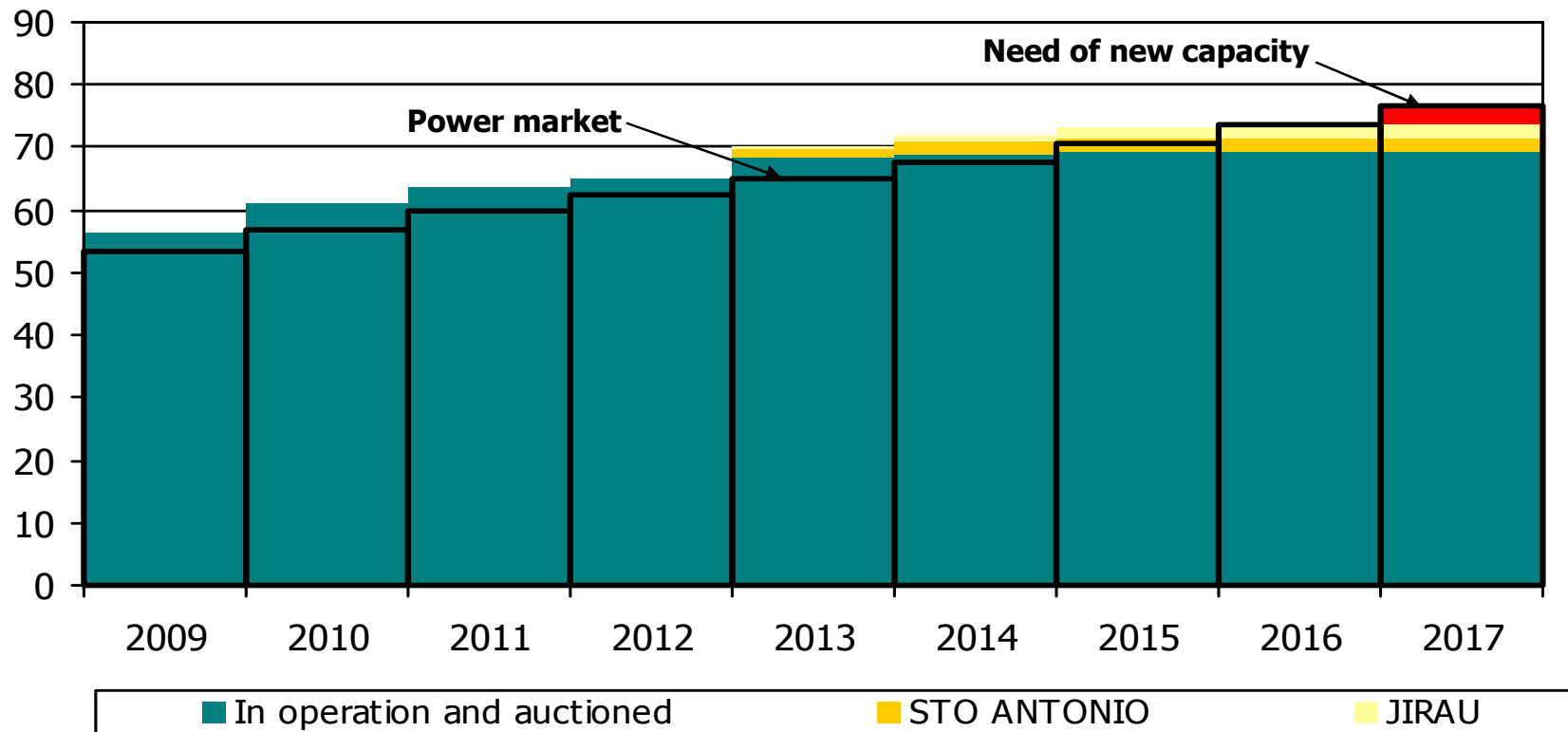
- Actual contract prices + forward price trend for the re-contracting.
- After 2014 most of free customer's contracts will have been re-priced

# Supply–Demand balance in the Brazilian System



## 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).

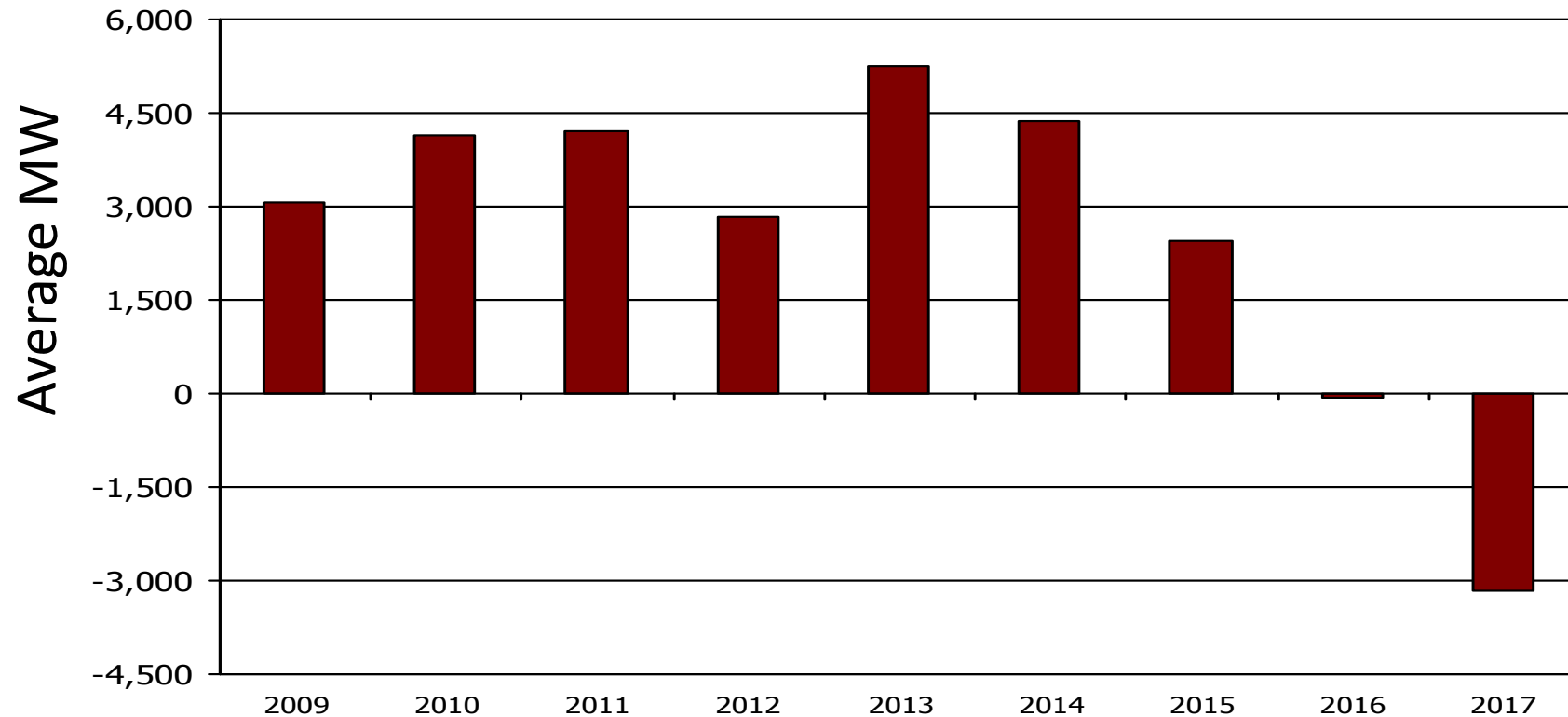


# Supply–Demand balance in the Brazilian System



## Structural electricity balance (surpluses and deficits)

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



Sources: PMO Nov 2009, Cemig research.

GDP growth of 0.5% in 2009, 5.5% in 2010 and 4.0% in 2011+, average market growth of 4.5% (1.2% in 2009).

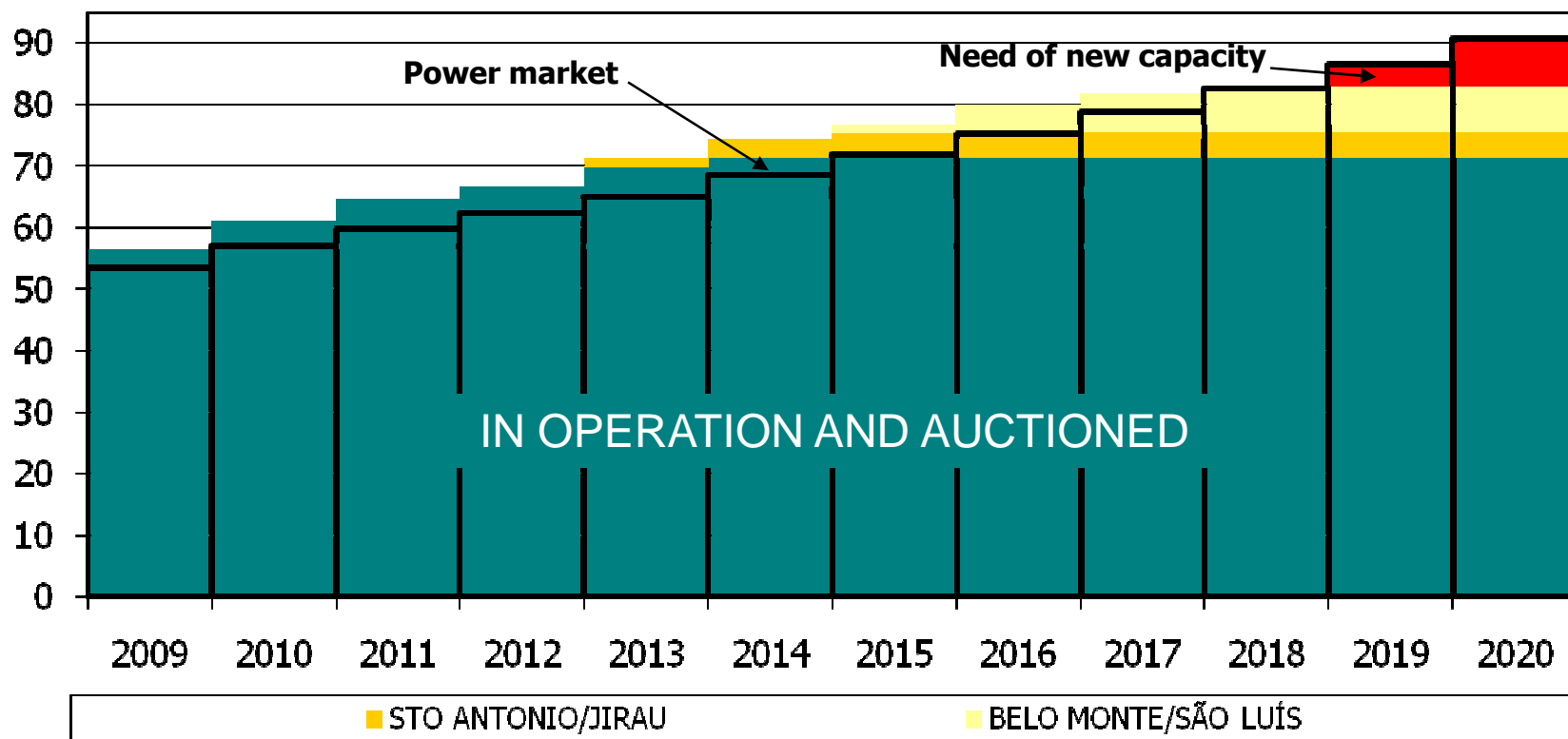
Belo Monte (Xingú River – 11,233 MW and São Luiz (Tapajós River) 8,381 MW)

# Supply–Demand balance in the Brazilian System



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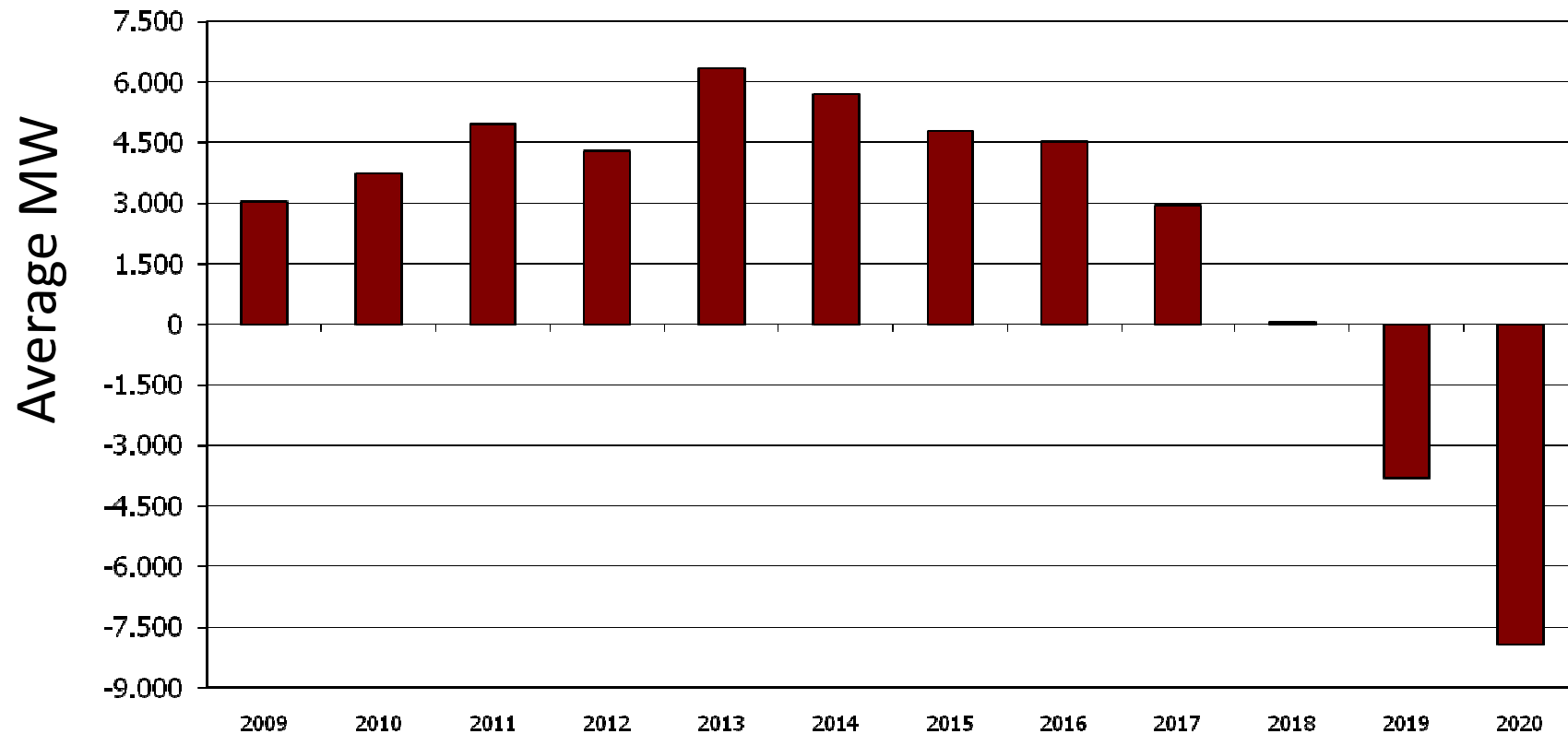
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# Supply–Demand balance in the Brazilian System



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Sources: PMO Nov 2009, Cemig research.

GDP growth of 0.5% in 2009, 5,5% in 2010 and 4,0% in 2011+, average market growth of 4.5% (1.2% in 2009).

# Power Generation Auctions



- **Adjustment Auction:**
  - 2009 Auction
    - February, 20<sup>th</sup>
      - 990 MW Avg in 10 and 4 months long contracts
      - Average price: R\$ 145.67/MWh
      - Cemig GT sold 262 Avg MW @ R\$ 145.73 / MWh

- **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, 30<sup>th</sup>**  
Price cap of R\$ 100/MWh

- **New Energy Regular Auctions:**
  - 2008 Auction (last one)
    - **A-5 - September, 30<sup>th</sup>,**
      - 3,125 MW Avg 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

- **2009 New Energy Auctions:**
  - **A-3 : August 27<sup>th</sup>**
    - 11 MW Avg in 15 and 30 years long term contracts
    - Average price: R\$ 144.54/MWh
    - Power will be delivered from 2012
  - **Wind Generation: December 14<sup>th</sup>**
    - 783 MW Avg in 20 years long term contracts
    - “Reserve type “ auction
    - Power will be delivered from 2012
    - Average price: R\$ 148.39/ MWh
  - **A-5: December 21<sup>th</sup> - Canceled**
    - Canceled due to delays in the issuance of environmental licenses from the enrolled Hydroelectric Power Plants
    - 15 year long thermo contracts and 30 years long for hydro
    - Power would be delivered from 2014
    - Price Cap: R\$ 144 / MWh

- **Special Auctions: Belo Monte**
  - 2010
  - 11,233 MW
  - 30 years long contracts

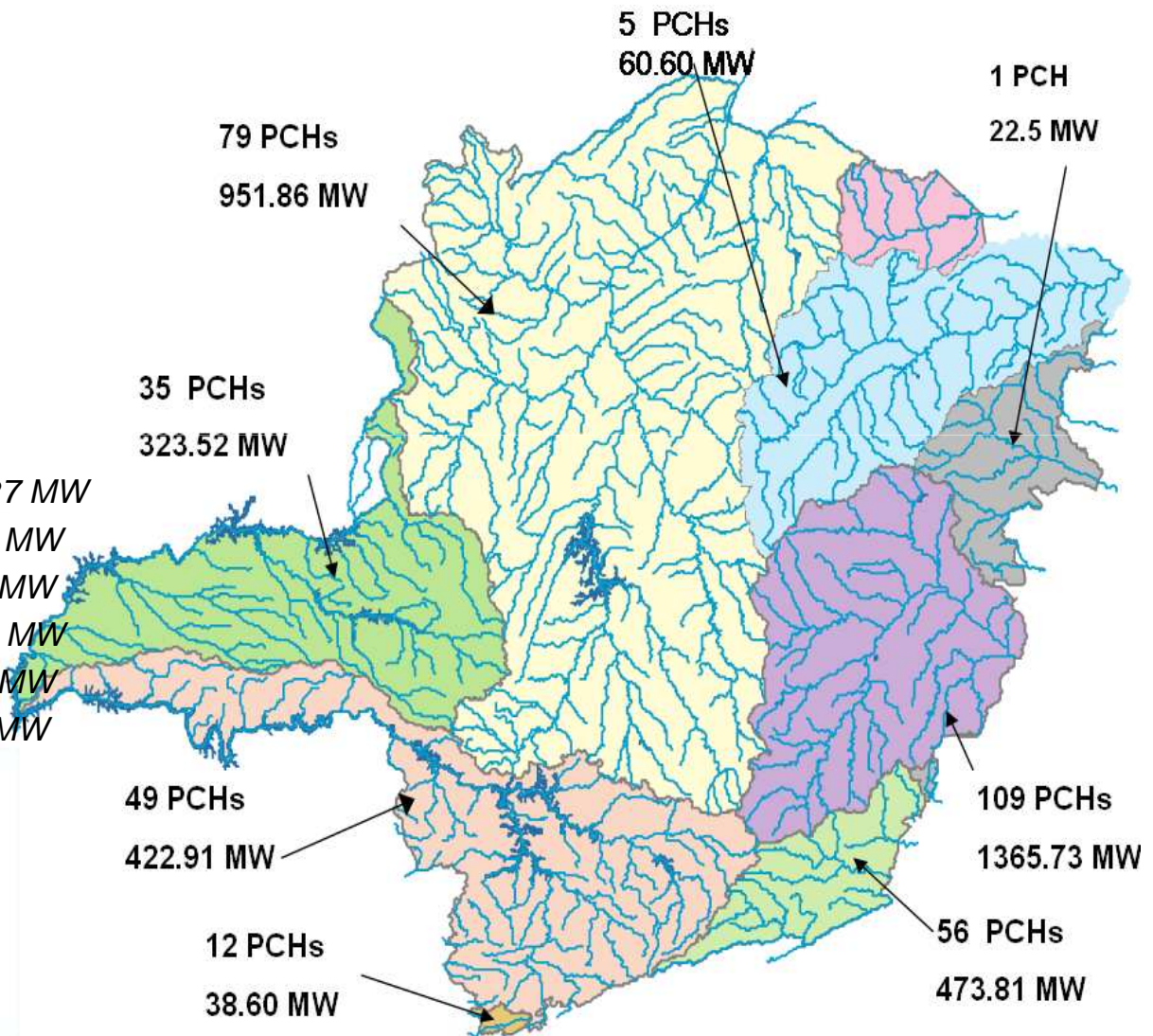
# Business Opportunities: Small Hydros Program



- 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 Dolores 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





# Business Opportunities: biomass cogeneration



## Sugar and ethanol potencial in Minas gerais

Plants	Quantity	Generatn. (MWa*)	Surplus (MWa*)
Existing	26	530	420
Expected	59	2,046	1,755
With Protocol	34	1191	953
Without Protocol**	13	591	591
Other***	12	264	211
<b>TOTAL</b>	<b>85</b>	<b>2,576</b>	<b>2,175</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*

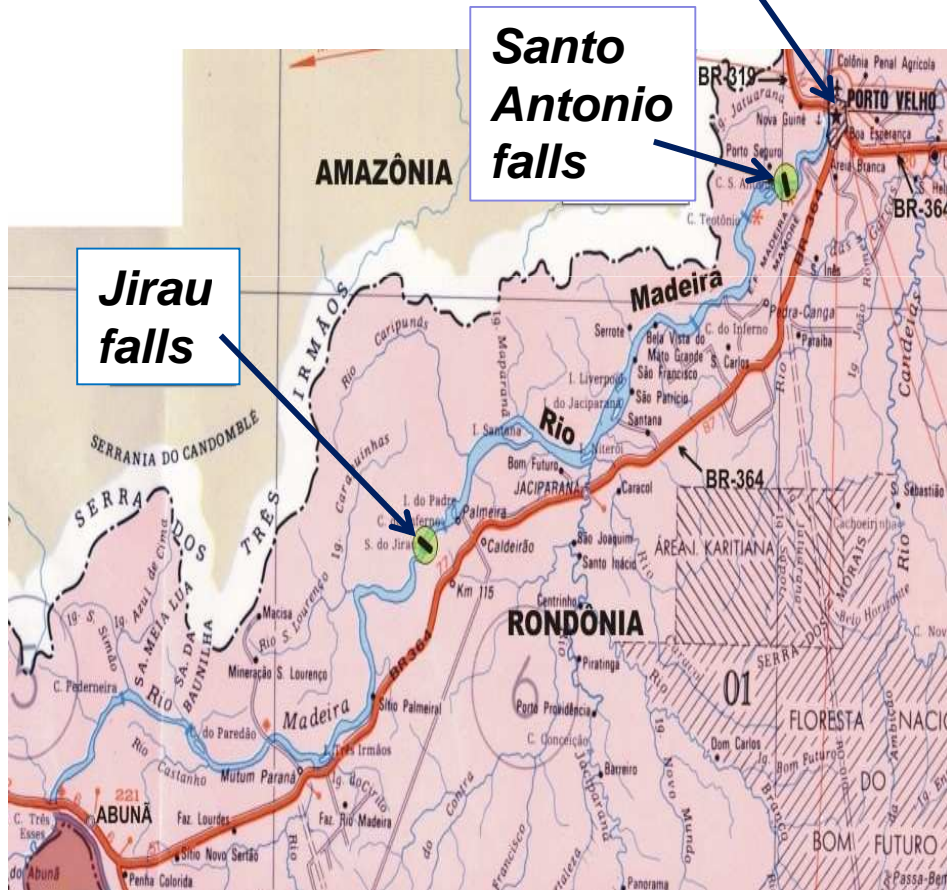
Situation as of January 2008, MW

	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
	RN	0	2	2
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	3.370	8.080	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

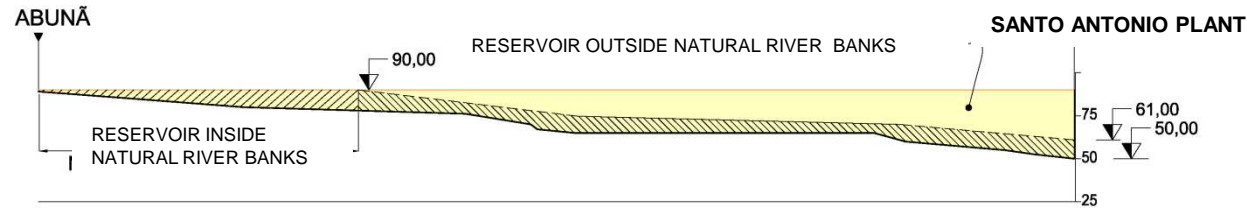
## Main contract events

- **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

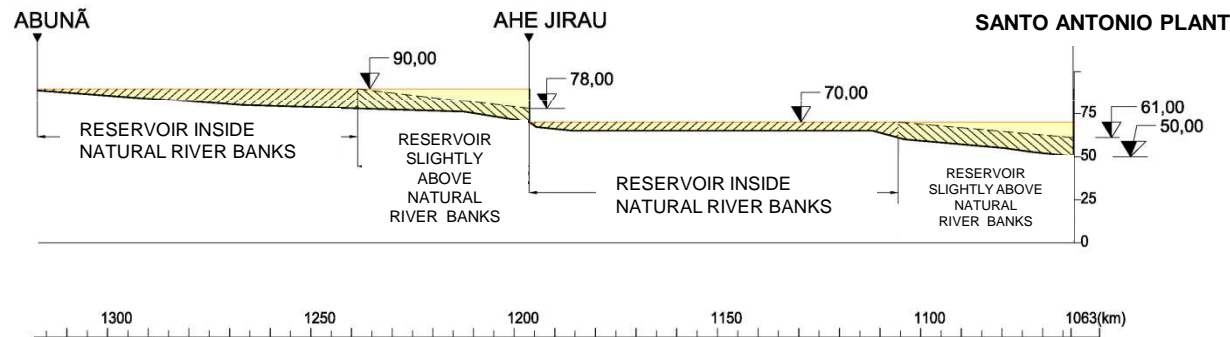
# Madeira River generation complex



I – Single plant alternative – rejected by a close margin

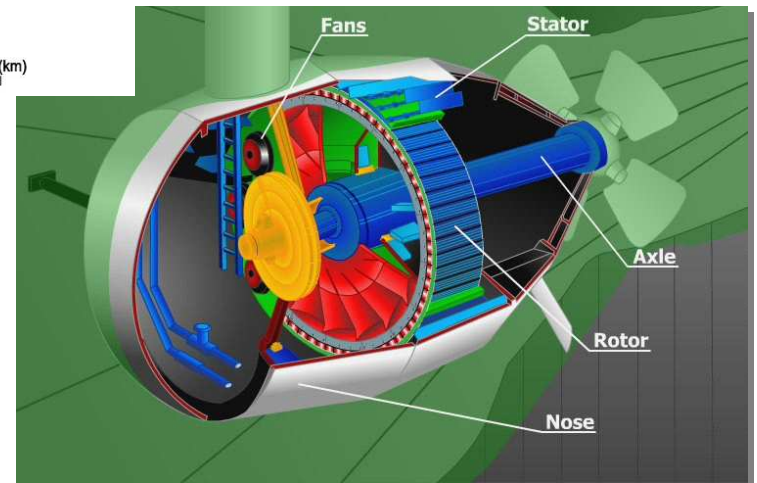


II – Alternative with two lower-fall plants – **SELECTED**



Alternative dam locations

A bulb rotor



# Santo Antônio hydro plant – basic information



- 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 (4,000 MW, 2,414 km<sup>2</sup> reservoir): index 0.61
  - Belo Monte (11,000 MW, 440 km<sup>2</sup> reservoir): index 0.04
- 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



## Santo Antônio hydro plant – basic information

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- 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

**IRR on initial base case – including bringing forward completion date** **11.12%**

A. Increase in assured energy – 2%  
(power gain) + 0.54%

**Base case rate of return** **11.66%**

B. Releverage + 0.84%

**Target return rate of the investment** **12.50%**

C. Additional Fiscal Credits + 1.23%

D. Additional increase in assured energy  
(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 = 233 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 2010**

# Acquisition of holdings in wind farms: The Transaction

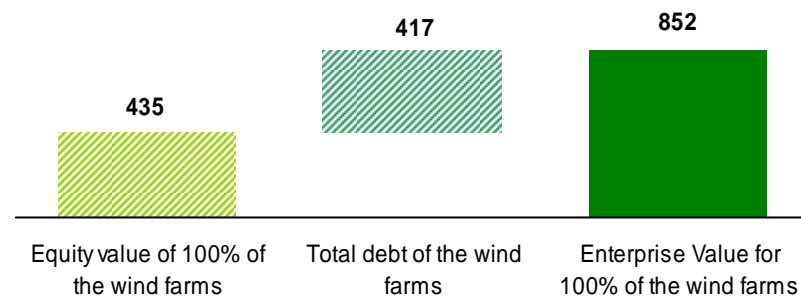


## The Transaction

- Acquisition of 49% stockholdings in three wind farms (99.6MW) in the Brazilian State of Ceará, currently owned by **Energimp S.A. (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.
- Cemig has no project completion risk in relation to the wind farms.
- Stockholders’ Agreement between Cemig and IMPISA sets the conditions for governance and management.

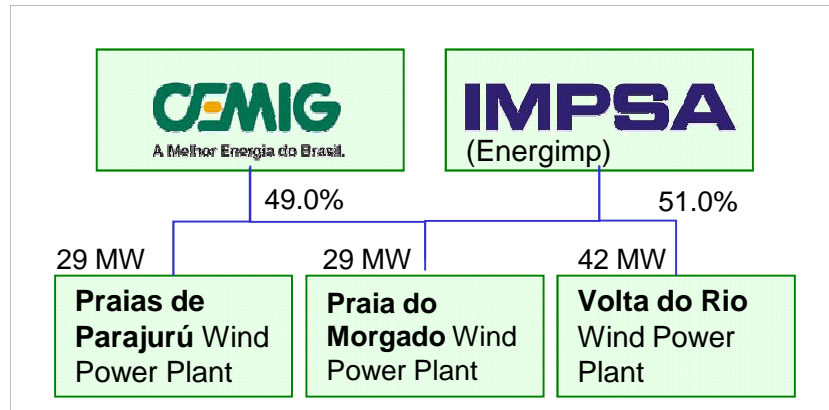
## Equity + debt: components of EV

- R\$ million



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

## Resulting stockholding structure

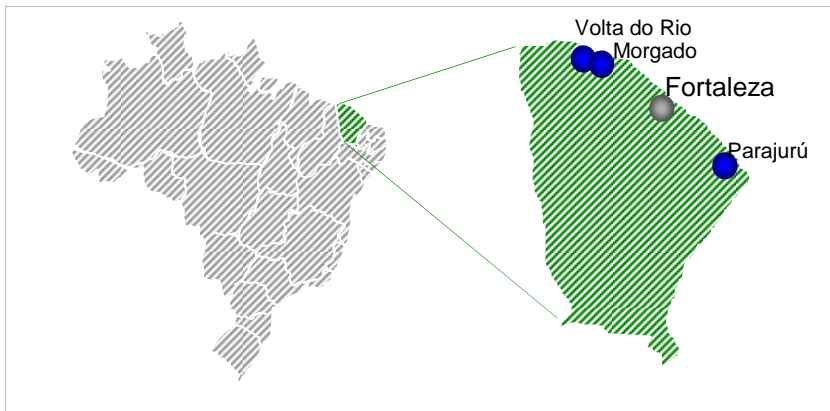


## Principal financing

- 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	3Q09
525-Kv lines	0	0	0	51	56
500-kV lines	2.165	2.592	2.488	2.788	2.860
345-kV lines	1.976	1.969	2.001	2.001	2.001
230-kV lines	751	803	824	915	1.444
Sub-Total	4.892	5.364	5.313	5.755	6.361
Terna (32,27%)					1.094
Total	4.892	5.364	5.313	5.755	7.455

- 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



# 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:**
    - Estimated total investment **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
  - **November, 27<sup>th</sup>**
    - 8 lots totaling 1,079Km
    - 11 transmission lines and 8 substations
    - Total RAP (max): R\$ 170.8 million

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

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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>5.35%</b>

- R\$ 44 million added to the RAP for 2005.
- Backdated payment, including monetary updating: R\$ 158 million.
- RAP for 2009 (without charges/taxes) goes from to R\$ 475 million.
- Gross base: R\$ 2.5 billion
- Net base: R\$ 1.1 billion

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

# Description of TBE group



Company	Line/Substation	Length (Km)	Capacity(kV)	Start-up
EATE	Tucuruí (PA) a Presidente Dutra (MA)	927	500	mar/03
ECTE	Blumenau (SC) a Campos Novos (SC)	253	525	mar/02
ENTE	Tucuruí (PA) a Açailândia (MA)	458	500	fev/05
ERTE	Vila do Conde (PA) a Santa Maria (PA)	155	230	set/04
ETEP	Tucuruí (PA) a Vila do Conde (PA)	324	500	ago/02
STC	Barra Grande (SC) a Rio do Sul (SC)	184	230	nov/07
LUMITRANS	Machadinho (SC) a Campos Novos (SC)	40	525	out/07
EBTE	LT Juína-Maggi	775	230	jun/10
<b>TOTAL</b>		<b>3,115</b>		

\*\* Resolução Aneel 843 of 06/25/2009

## Expansion of TBE Group

Length of transmission network/km	CEMIG %	2008	2009	2010
<b>EBTE*</b>	<b>65.73</b>			<b>775</b>
<b>Km added</b>			<b>-</b>	<b>775</b>
<b>Cemig stake (Km)</b>				<b>509</b>
<b>CEMIG TOTAL</b>				<b>509</b>

\* EBTE: Cemig GT holds a 51% interest in EBTE and EATE detains the remaining 49% stake.

# Acquisitions: Increase in the TBE stake



## TBE after acquisition of Brookfield

### %TOTAL EQUITY

	EATE	ECTE	ENTE	ERTE	ETEP
Alupar	35.35%	40.01%	50.01%	50.01%	39.34%
Eletróbrás	29.30%	0.00%	0.00%	0.00%	21.33%
Celesc	0.00%	21.62%	0.00%	0.00%	0.00%
<b>Cemig</b>	<b>35.34%</b>	<b>13.37%</b>	<b>36.69%</b>	<b>36.69%</b>	<b>39.33%</b>
MDU	0.00%	25.00%	13.30%	13.30%	0.00%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## TBE after acquisition of MDU

### %TOTAL EQUITY

	EATE	ECTE *	ENTE	ERTE	ETEP
Alupar	35.36%	53.35%	50.01%	50.01%	39.35%
Eletróbrás	29.30%	0.00%	0.00%	0.00%	21.33%
CELESC	0.00%	28.83%	0.00%	0.00%	0.00%
<b>CEMIG</b>	<b>35.34%</b>	<b>17.82%</b>	<b>49.99%</b>	<b>49.99%</b>	<b>39.33%</b>
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\* Considers that all partners will exercise preference rights from MDU stake

EBITDA (pro-forma)	9M09	2008
EATE	182,126	208,432
ECTE	36,910	45,999
ENTE	83,832	104,495
ERTE	14,556	18,111
ETEP	36,094	45,547
Total	353,518	422,584
CEMIG stake	161,061	71,125

- ✓ The leverage participation of CEMIG in TBE will be 46,8% in common shares and 38,13% of Capital Total. After buying all eletróbrás shares, the participation in the Total Equity and Common shares will be 46,8%.

# Terna - Transaction Summary

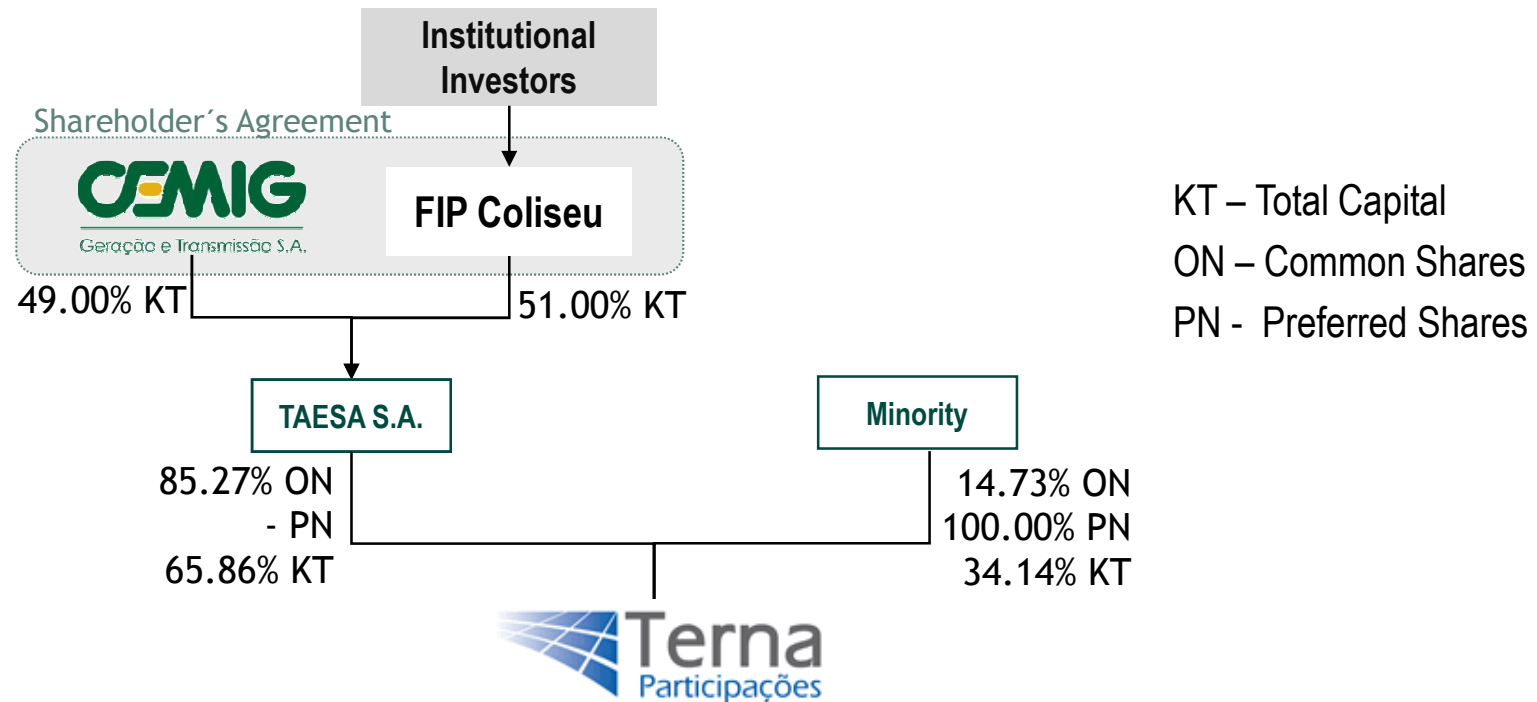
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- ✓ Power Transmission Company with 3,753 km of lines in 11 Brazilian States
- ✓ Payment of R\$ 2.15 billion on November 3, 2009
  - The operation involved the purchase of 85.26% of the voting capital, and 65.85% of the total capital
    - Price paid is equal to R\$ 37.14 per “unit” (2 preferred shares + one common share)
    - Represents a multiple of nearly 7.6 times EBITDA
- ✓ Acquisition in partnership with Investment Fund - FIP Coliseu
  - Largest FIP created to invest in the Brazilian electricity sector: R\$ 1.33 billion
    - Attractive to investors, as it comprises assets already in operation
- ✓ Innovative acquisition structure enables Cemig to use it in other expansion opportunities, in line with its long-term Strategic Plan



# FIP Coliseu: efficient vehicle for growth in the transmission sector



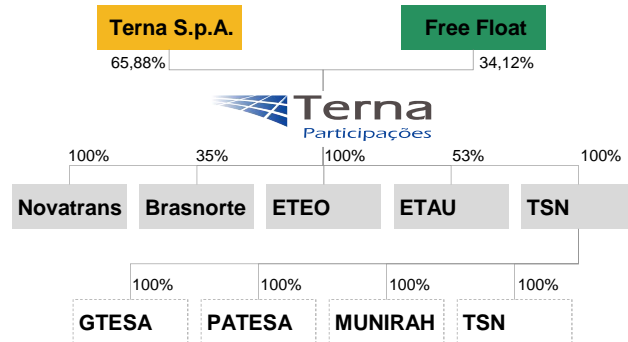
- ✓ Terna's new name: Transmissora Aliança de Energia Elétrica S.A - Taesa
- ✓ After the OPA (special public offering), the composition of the shares to be acquired from the minority shareholders will be as follows:
  - Common shares: 49% Cemig GT and 51% FIP
  - Preferred shares: 100% Cemig

# Terna Part. Overview



## Corporate Structure

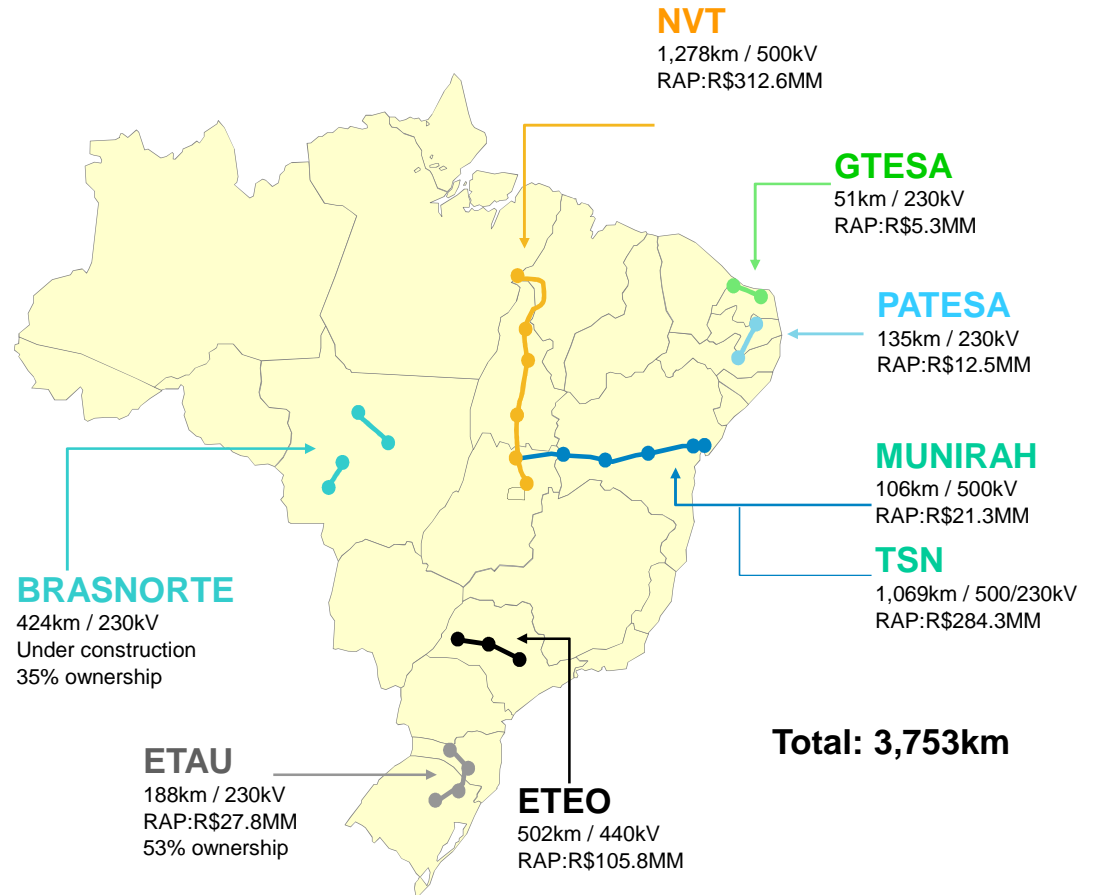
Before the Transaction



## 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



# Rationale of model for Terna acquisition (with FIP)

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- ✓ In line with the Long-term Strategic Plan
- ✓ IRR of 10.6% for the base case and 12.5% including additional gains
- ✓ Vehicle for growth in the transmission sector
- ✓ Synergies with Cemig's transmission assets, including TBE
- ✓ Operational and corporate gains
- ✓ Possibility of improving Ebitda margin (currently 87%)
- ✓ Partnership with an FIP reduces the disbursement on the acquisition, facilitating further acquisitions for Cemig – already in negotiation
- ✓ To ensure future increase of Cemig's share in the transmission sector – up to the target specified by the Long-term Strategic Plan

# Terna - Transaction Impacts to CEMIG, before the partnership with Coliseo Fund



## Impacts to CEMIG Financials (Pro- forma)

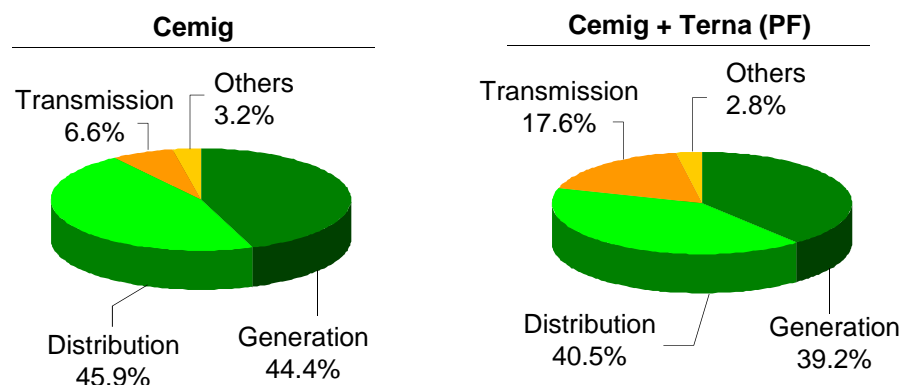
Position as of Dec. 31, 2008 - In R\$ Million

	CEMIG Consol.	Terna Part. PF <sup>(1)</sup>	CEMIG + Terna 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



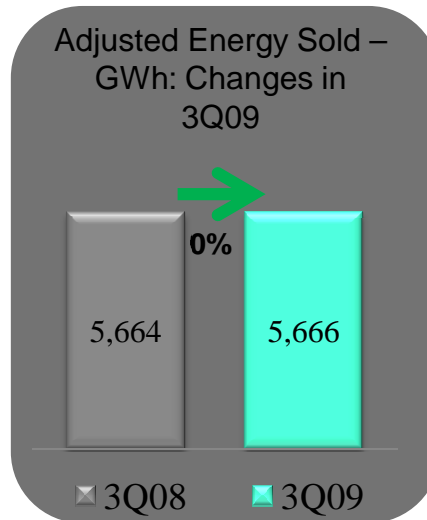
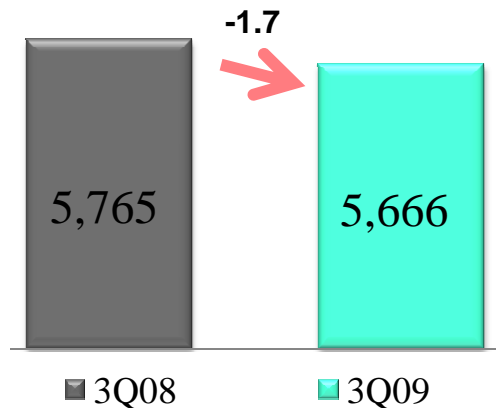
Cemig - Length of network, km	2005	2006	2007	2008	3Q09
<b>SUB-TRANSMISSION</b>	16,040	16,788	16,676	16,810	16,910
161-kV lines	55	55	55	55	55
138-kV lines	10,521	11,254	11,145	11,254	11,366
69-kV lines	4,481	4,513	4,510	4,535	4,534
Lines below 69 kV	983	966	966	966	955
<b>DISTRIBUTION</b>	379,400	402,539	429,560	442,749	445,878
Overhead distribution network	83,826	92,083	90,524	91,550	92,550
Underground urban distribution network	759	1,767	1,049	1,380	1,446
Overhead distribution network in rural areas	294,815	308,689	337,987	349,819	351,882
<b>TOTAL</b>	395,440	419,327	446,236	459,559	462,788

- 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 2Q09



Electricity sold – GWh: Changes 3Q09

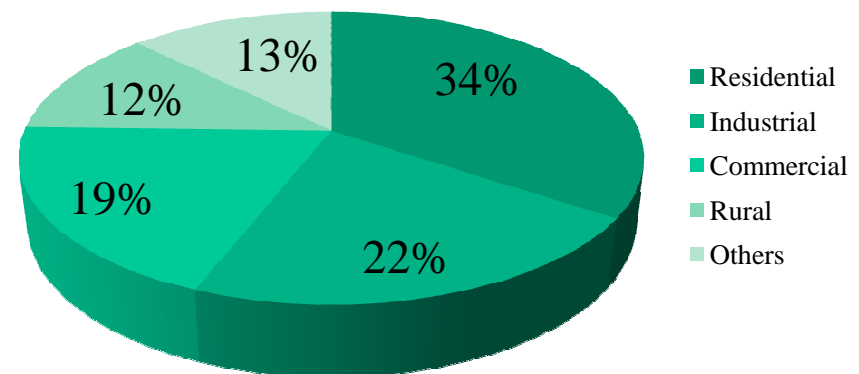


Sales by category- GWh

Final Consumer	3Q09	3Q08	Var%
Residential	1,951	1,806	8.0
Industrial	1,220	1,496	(18.4)
Commercial	1,102	1,055	4.5
Rural	675	715	(5.6)
Others	718	693	3.6
<b>Total</b>	<b>5,666</b>	<b>5,765</b>	<b>(1.7)</b>

- ✓ Market at the same level of 3Q08, due to the performance of the residential and commercial sectors
- ✓ Drop in industrial consumption amplified by migration of load to the free market
  - Adjusted by this migration, this drop would be 13%
- ✓ Sales growth in 2009 signals recovery in each quarter: + 2.6% (3Q09/2Q09)

Participation by consumer category (%) – 3Q09



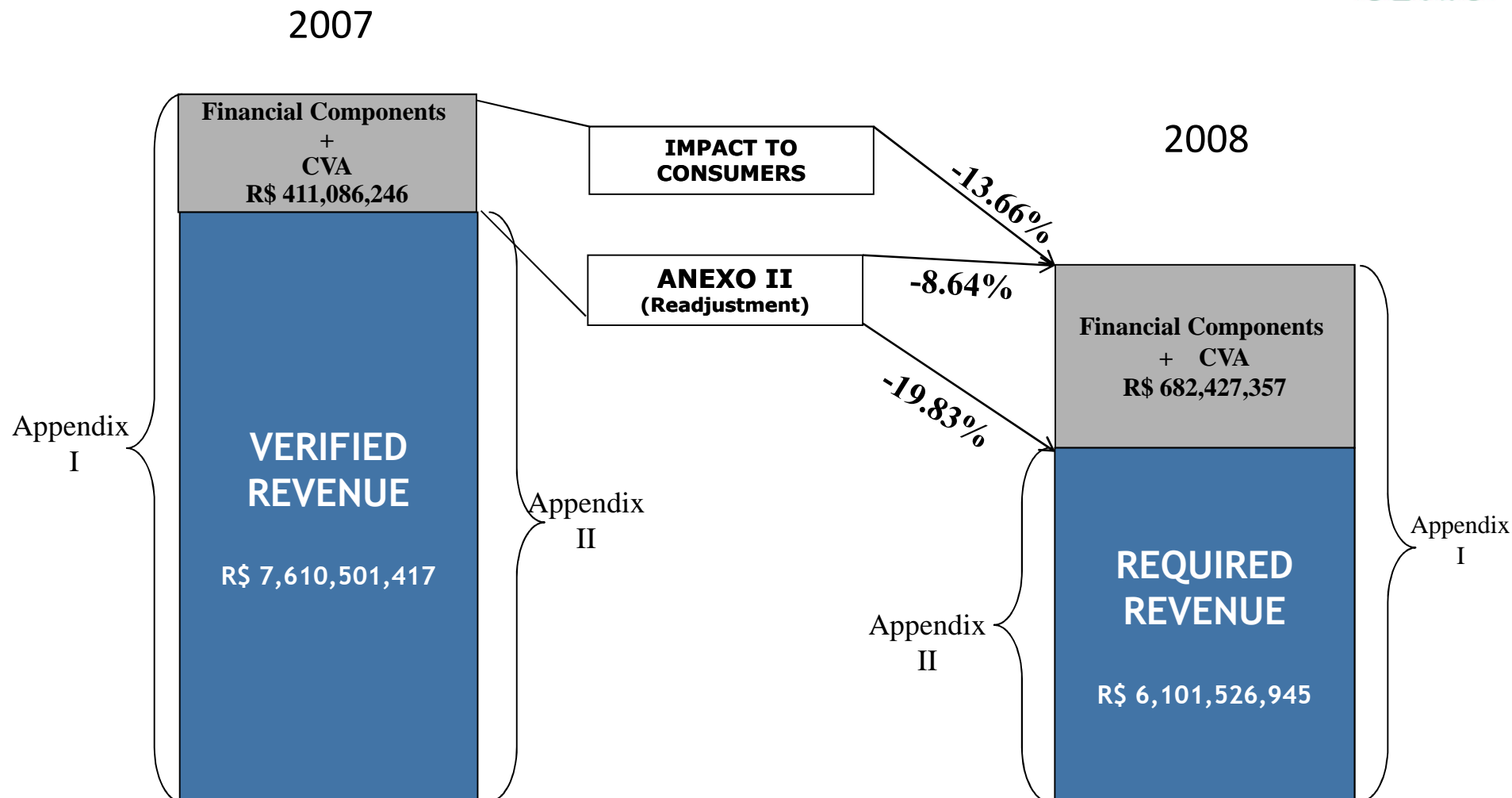


# Electricity Distribution tariff review



- 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%

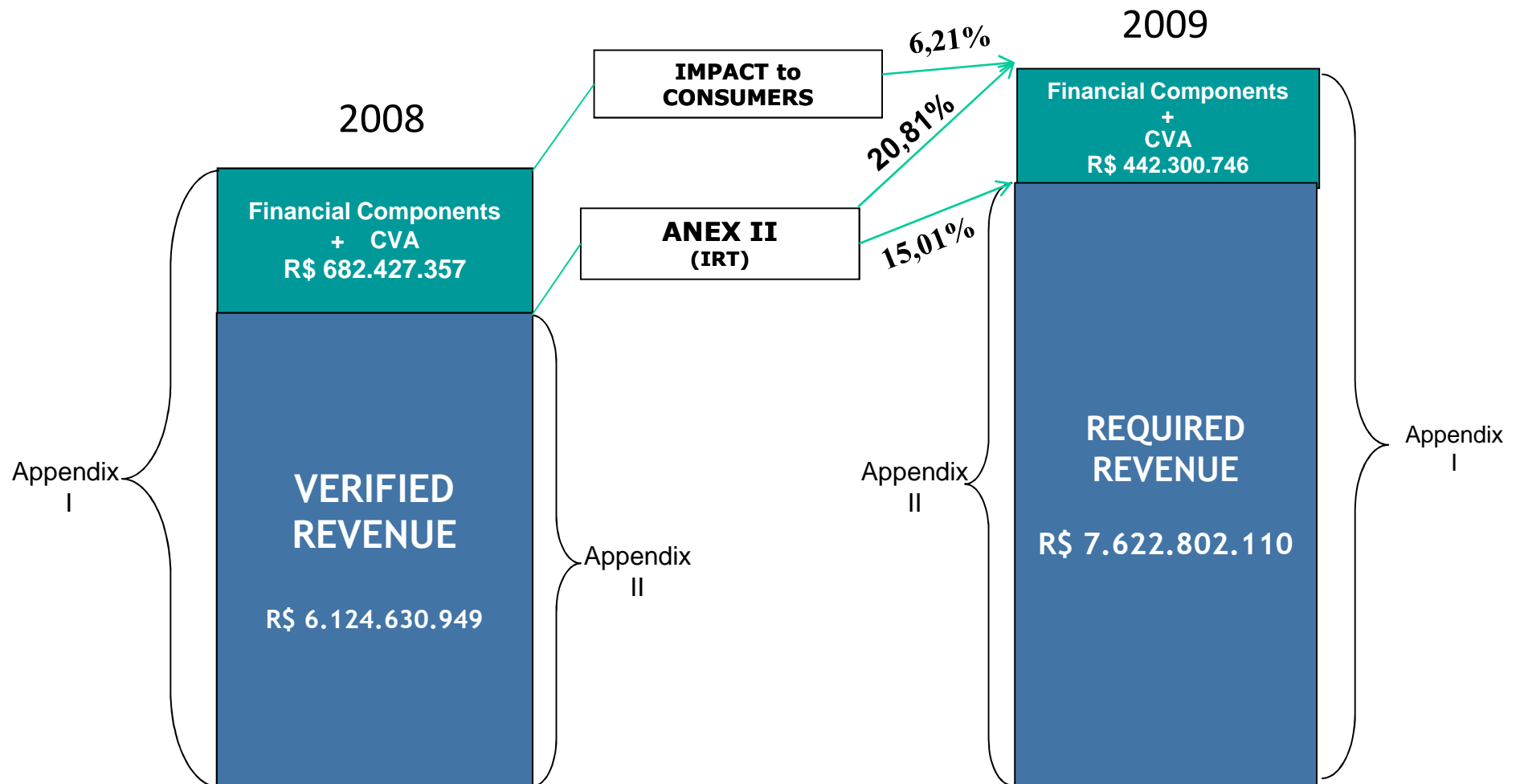
# Cemig D 2008 review final result and hypothetical Impact on Tariff



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.

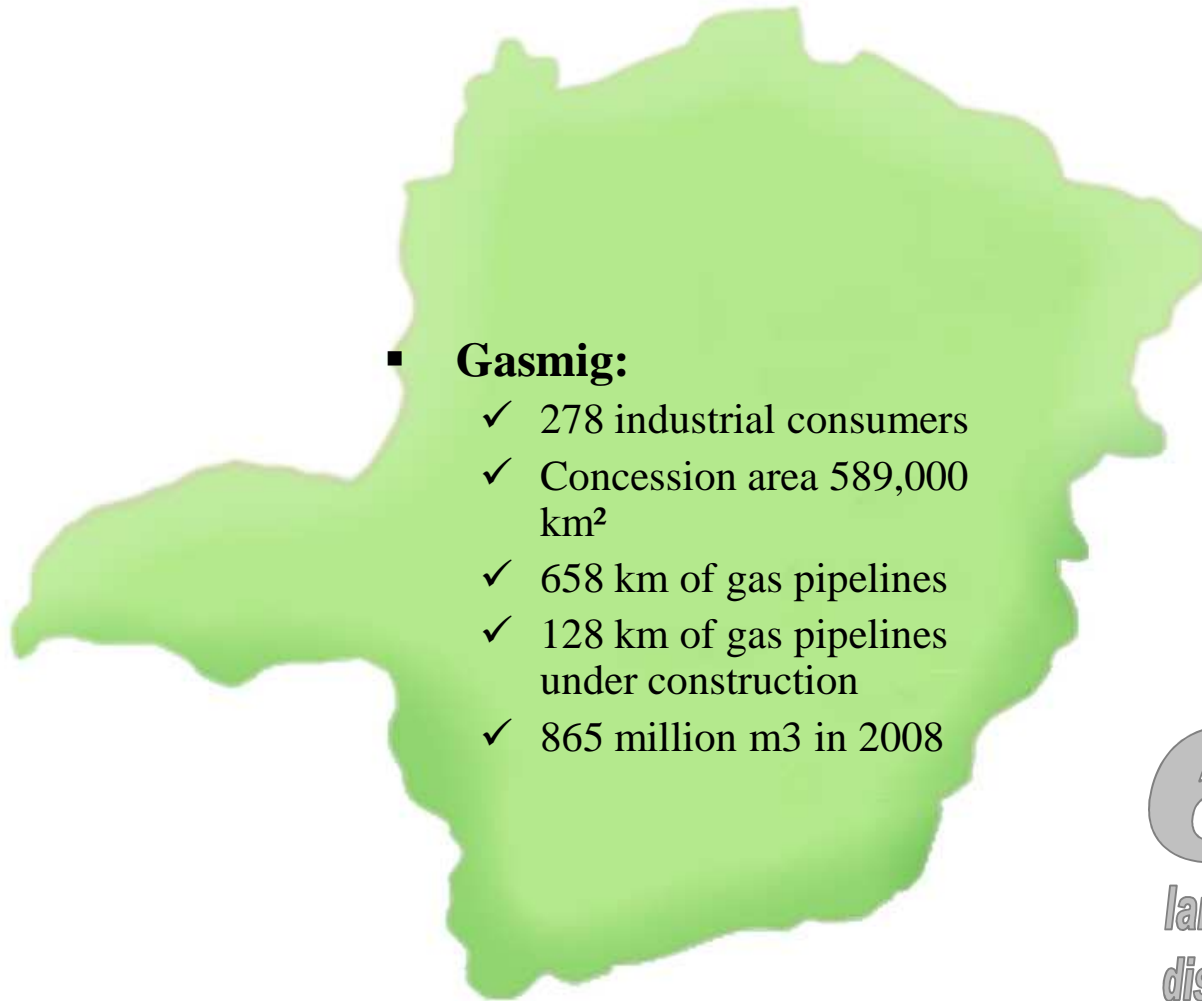
Appendix II: Tariffs considered “clean”, base for posterior readjustments, without taxes (ICMS, Pasep/Cofins)

# 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 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>

# Natural Gas Distribution - GASMIG



- **Gasmig:**
  - ✓ 278 industrial consumers
  - ✓ Concession area 589,000 km<sup>2</sup>
  - ✓ 658 km of gas pipelines
  - ✓ 128 km of gas pipelines under construction
  - ✓ 865 million m<sup>3</sup> in 2008

**6th**  
largest Brazilian  
distributor of gas

# 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

## ✓ Acquisitions in 2009:

- Expanded participation in TBE to 38.13%: acquisition of Brookfield portion for R\$ 505 million, and participation in MDU for almost R\$ 100 million(\*)
- Acquisition of 49% in three wind plants – R\$ 213 million: payment in August
- Acquisition of Terna Participações - R\$ 1.05 billion (Cemig parcel does not include OPA): payment on Nov. 3, 2009

## Basic Investment Program<sup>(1)</sup>

Business	Through Sept 2009 <sup>(3)</sup>	2009 <sup>(2)</sup>	2010	2011	2012
<b>CEMIG Generation and Transmission</b>	<b>24.6</b>	<b>132.8</b>	<b>87.7</b>	<b>88.6</b>	<b>100.9</b>
Generation	16.8	72.2	47.8	55.5	65.0
Transmission	6.3	33.3	7.7	10.9	13.4
Environment	0.4	6.8	11.8	4.4	4.1
Others	1.1	20.6	20.4	17.7	18.4
<b>CEMIG Distribution</b>	<b>394.1</b>	<b>836.8</b>	<b>608.7</b>	<b>551.6</b>	<b>570.8</b>
Sub-Transmission	139.2	380.6	226.8	188.0	179.6
Distribution	238.0	331.1	271.0	255.0	260.6
Environment	2.9	5.8	10.1	10.3	11.0
Others	14.0	119.2	100.7	98.3	119.7
<b>CEMIG Holding</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>418.7</b>	<b>970.2</b>	<b>697.0</b>	<b>640.9</b>	<b>672.4</b>

(1) Estimated values as of 2009, in accordance with company planning, at prices from June 2009. These include routine basic investments for the Distribution, Generation, Transmission and Holding Companies (P1).

(2) Includes the Cresce Minas Program

(3) Does not include acquisitions

# Planned expansion



## Power Generation Expansion

Capacity, MW	CEMIG %	2009	2010	2011	2012	2013
Santo Antônio Hydro Plant	10				3,150	
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			
Wind Farm - Ceará	49	70				
Itaocara	49					194
Paracambi	49			25		
Lajes	49		18			
<b>Capacity under construction</b>		<b>70</b>	<b>82</b>	<b>25</b>	<b>3,150</b>	<b>194</b>
<b>Cemig stake (MW)</b>		<b>34</b>	<b>40</b>	<b>12</b>	<b>315</b>	<b>95</b>
<b>CEMIG TOTAL</b>		<b>6,803</b>	<b>6,844</b>	<b>6,856</b>	<b>7,171</b>	<b>7,266</b>

## Power Transmission Expansion

Length of transmission network/km	CEMIG %	2009	2010
Furnas – Pimenta – 345 Kv	49	75	
Charrua-Nueva Temuco - 220 KV	49	205	
EBTE	65.73		775
<b>Km added</b>		<b>280</b>	<b>775</b>
<b>Cemig stake (Km)</b>		<b>137</b>	<b>509</b>
<b>CEMIG TOTAL</b>		<b>7,871</b>	<b>8,381</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

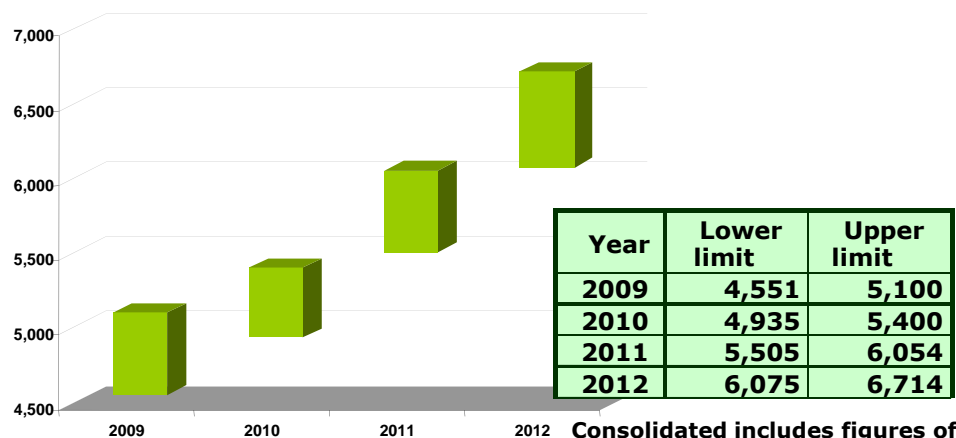
# EBITDA Guidance 2009/2012

(Constant as of June 2008 R\$ million)



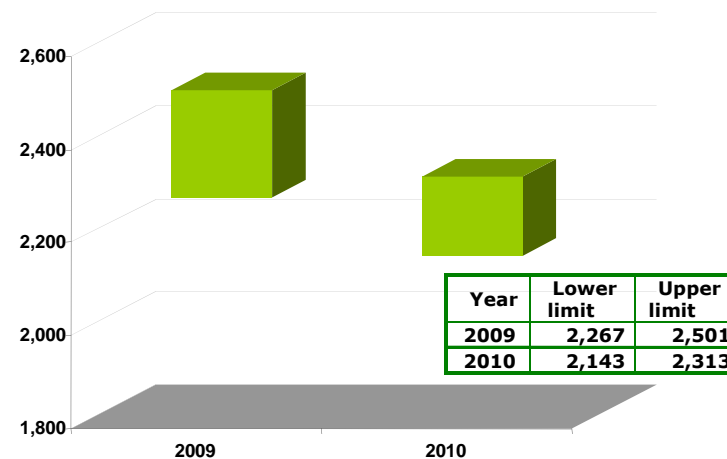
## Consolidated figures

Consolidated including amounts for Holding companies and affiliates

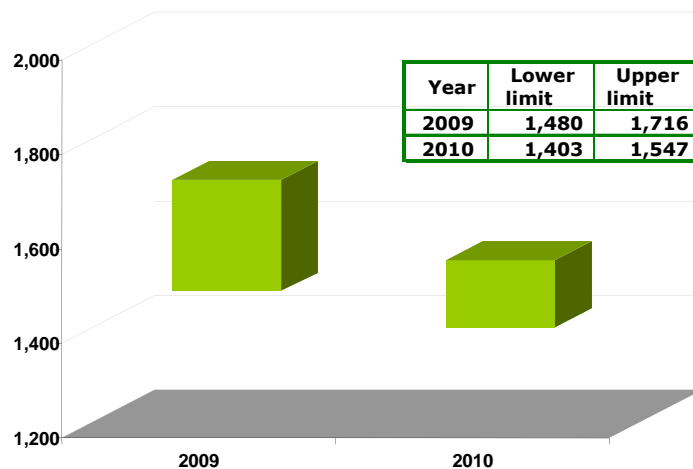


Consolidated includes figures of holding company and affiliated companies.

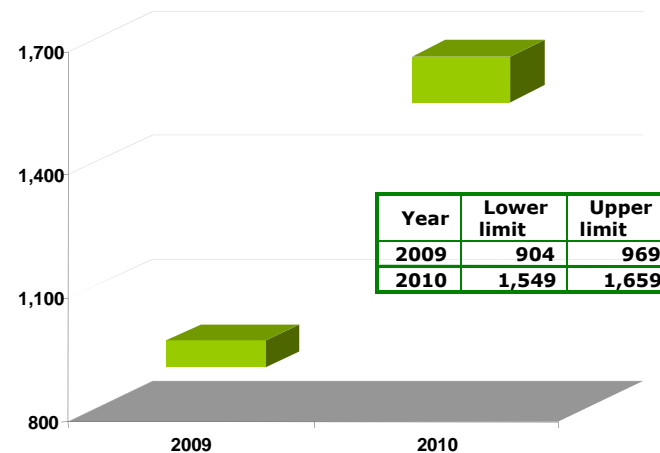
## Cemig GT



## Cemig D



## Holdings



# Agenda

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- Background
- Strategy Overview
- Business Outlook
- Our Strategy shows Solid Results**
- Market Recognition
- Regulatory Framework

# Large Growth in Cash Flow



## Cash Flow Statement (Consolidated)

Values in millions of Reais

	3Q09	3Q08
<b>Cash at start of period</b>	<b>2,251</b>	<b>2,002</b>
<b>Cash from operations</b>	<b>1,363</b>	<b>1,331</b>
Net income	567	516
Depreciation and amortization	173	170
Suppliers	36	85
Deferred Tariff Adjustment	-	99
Regulatory Asset - Transmission Tariff Review	21	-
Other adjustments	566	461
<b>Financing activity</b>	<b>100</b>	<b>29</b>
Financing obtained and capital increases	121	69
Payment of loans and financing	(9)	(40)
Interest on Own Capital and Dividends	(12)	-
<b>Investment activity</b>	<b>(945)</b>	<b>(350)</b>
Investments	(50)	(377)
Property, Plant and Equipment /Intangible	(895)	27
<b>Cash at the end of period</b>	<b>2,769</b>	<b>3,012</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)

## Operating Revenues (consolidated)

Values in million of Reais

	3dr Q. 2009	2nd Q. 2009	Chge%	3dr Q. 2008	Chge%	9M09	9M08	Chge%
Sales to end consumers	3,193	3,146	1	3,007	5	9,258	9,256	0
TUSD	247	325	(24)	361	(10)	845	1,028	(18)
Effects of the Definitive Tariff Review	66	61	8	-	-	(137)	-	-
Subtotal	3,506	3,532	(1)	3,368	5	9,966	10,284	(3)
Supply + Transactions in the CCEE	403	464	(13)	375	24	1.227	995	23
Revenues from Trans. Network	278	298	(7)	183	63	755	530	42
Gas Supply	83	79	5	84	(6)	234	290	(19)
Others	131	64	105	113	(43)	383	268	43
<b>Subtotal</b>	<b>4,401</b>	<b>4,437</b>	<b>(1)</b>	<b>4,123</b>	<b>8</b>	<b>12,565</b>	<b>12,367</b>	<b>2</b>
Deductions	(1,408)	(1,461)	(4)	(1,369)	7	(4,230)	(4,232)	(0)
<b>Net Revenues</b>	<b>2,993</b>	<b>2,976</b>	<b>1</b>	<b>2,754</b>	<b>8</b>	<b>8,335</b>	<b>8,135</b>	<b>2</b>



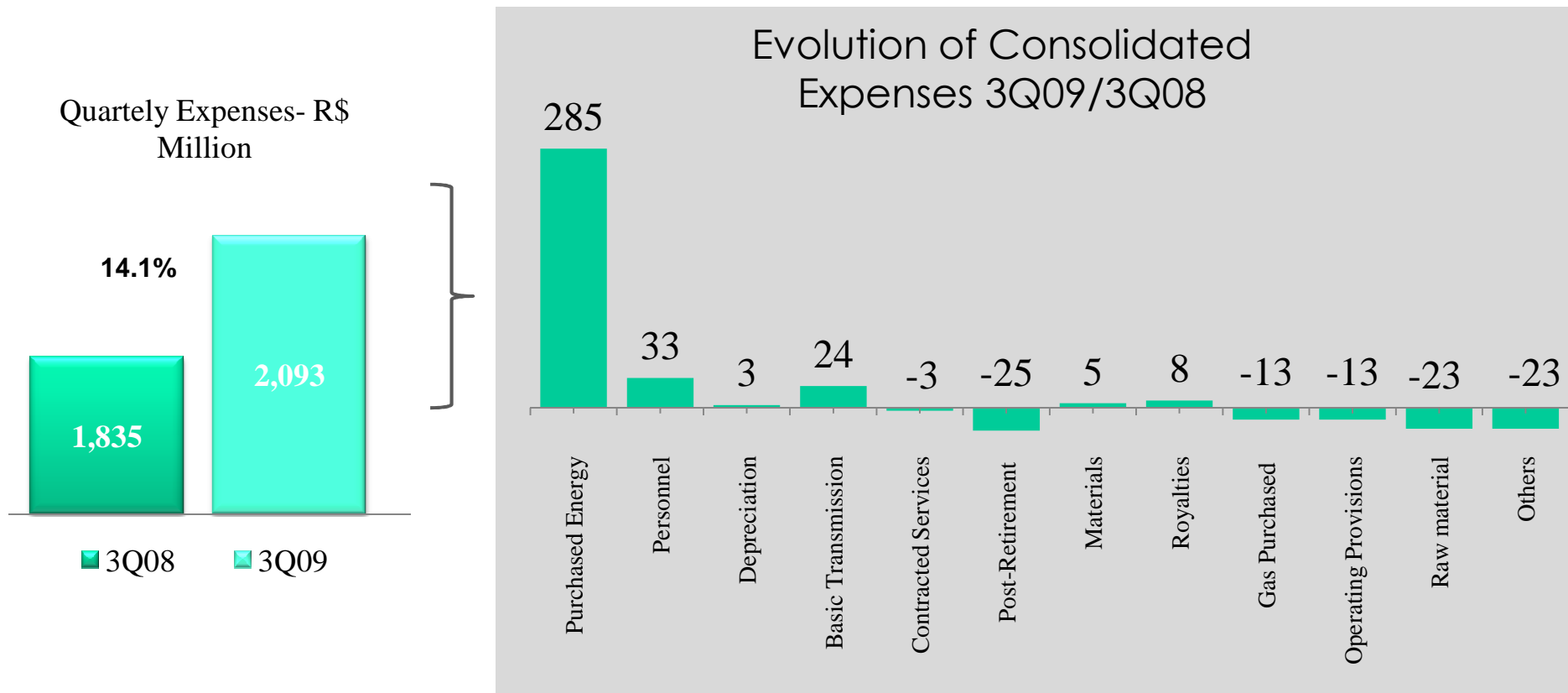
# Operating Expenses



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

	3rd Q. 2009	2nd Q. 2009	Chge%	2nd Q. 2008	Chge%	9M09	9M08	Chge%
Purchased Energy	1,019	838	22	734	39	2,529	2,185	16
Personnel/Administrators/Councillors	278	449	(38)	245	13	1,024	823	24
Depreciation and Amortization	173	173	-	170	2	517	542	(5)
Charges for Use of Basic Transmission Network	198	211	(6)	174	14	613	531	15
Contracted Services	170	201	(15)	173	(2)	532	474	12
Forluz – Post-Retirement Employee Benefits	37	34	9	62	(40)	106	187	(43)
Materials	27	26	4	22	23	79	73	8
Royalties	42	37	14	34	24	115	98	17
Gas Purchased for Resale	44	46	(4)	57	(23)	129	168	(23)
Operating Provisions	39	(8)	(588)	52	(25)	89	176	(49)
Raw material for production	-	4	-	23	(100)	4	65	(94)
Other Expenses	66	102	(35)	89	(26)	226	204	11
<b>Total</b>	<b>2,093</b>	<b>2,113</b>	<b>(1)</b>	<b>1,835</b>	<b>14</b>	<b>5,963</b>	<b>5,526</b>	<b>8</b>

# Evolution of Consolidated Expenses – 2Q09/2Q08



- ✓ Increase in operating expenses due to non-controllable costs
  - Growth in energy purchases due to the 24% increase in the average tariff for energy purchased for resale

# 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

	3rd Q. 2009	2nd Q. 2009	Chge%	3rd Q. 2008	Chge%	9M09	9M08	Chge%
Net Revenue	2,993	2,976	1	2,755	9	8,335	8,136	2
Operating Expenses	(2,094)	(2,114)	(1)	(1,835)	14	(5,963)	(5,526)	8
<b>EBIT</b>	<b>899</b>	<b>862</b>	<b>4</b>	<b>920</b>	<b>(2)</b>	<b>2,372</b>	<b>2,610</b>	<b>(9)</b>
<b>EBITDA</b>	<b>1,072</b>	<b>1,035</b>	<b>4</b>	<b>1,090</b>	<b>(2)</b>	<b>2,889</b>	<b>3,152</b>	<b>(8)</b>
Financial Result	(10)	(28)	(64)	(123)	(92)	(81)	36	(325)
Provision for Income Taxes, Social Cont & Deferred Income Tax	(288)	(245)	18	(233)	24	(722)	(854)	(15)
Employee Participation	(26)	(45)	(42)	(22)	18	(99)	(66)	50
Minority Shareholders	(8)	(15)	(47)	(26)	(69)	(43)	(85)	(49)
<b>Net Income</b>	<b>567</b>	<b>524</b>	<b>8</b>	<b>516</b>	<b>10</b>	<b>1,427</b>	<b>1,641</b>	<b>(13)</b>

# Cemig Distribuição



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

	3rd Q. 2009	2nd Q. 2009	Chge%	3rd Q. 2008	Chge%	9M09	9M08	Chge%
Net Revenue	1,761	1,589	11	1,517	16	4,537	4,628	(2)
Operating Expenses	(1,521)	(1,540)	(1)	(1,215)	25	(4,148)	(3,621)	15
<b>EBIT</b>	<b>240</b>	<b>49</b>	<b>390</b>	<b>302</b>	<b>(21)</b>	<b>389</b>	<b>1,007</b>	<b>(61)</b>
<b>EBITDA</b>	<b>320</b>	<b>49</b>	<b>553</b>	<b>384</b>	<b>(17)</b>	<b>631</b>	<b>1,278</b>	<b>(51)</b>
Financial Result	43	1	4,200	(36)	(219)	35	(13)	(369)
Provision for Income Taxes, Social Cont & Deferred Income Tax	(74)	17	(535)	(71)	4	(75)	(280)	(73)
Employee Participation	(19)	(19)	-	(16)	19	(70)	(48)	46
<b>Net Income</b>	<b>190</b>	<b>48</b>	<b>296</b>	<b>179</b>	<b>6</b>	<b>279</b>	<b>666</b>	<b>(58)</b>

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

# Cemig Geração e Transmissão



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

	3rd Q. 2009	2nd Q. 2009	Chge%	3rd Q. 2008	Chge%	9M09	9M08	Chge%
Net Revenue	847	1,045	(19)	807	5	2,624	2,190	20
Operating Expenses	(334)	(372)	(10)	(309)	8	(1,009)	(893)	13
<b>EBIT</b>	<b>513</b>	<b>673</b>	<b>(24)</b>	<b>498</b>	<b>3</b>	<b>1,615</b>	<b>1,297</b>	<b>25</b>
<b>EBITDA</b>	<b>570</b>	<b>730</b>	<b>(22)</b>	<b>555</b>	<b>3</b>	<b>1,785</b>	<b>1,464</b>	<b>22</b>
Financial Result	(55)	(43)	28	(76)	(28)	(147)	(180)	(18)
Provision for Income Taxes, Social Cont & Deferred Income Tax	(133)	(172)	(23)	(124)	7	(442)	(325)	36
Employee Participation	(6)	(5)	20	(5)	20	(22)	(15)	47
<b>Net Income</b>	<b>319</b>	<b>453</b>	<b>1</b>	<b>293</b>	<b>3</b>	<b>1,004</b>	<b>777</b>	<b>89</b>

- ✓ Reduction in net revenue in the 3<sup>rd</sup> Q was expected as we concentrated sales to Disco's in the reserve auction, in the 2<sup>nd</sup> Q

# Agenda

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- Background
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- Market Recognition**
- Regulatory Framework

# Market Recognition



Included in the DJSI for the 10th year running.  
Selected as worldwide leader of the Utilities  
“Supersector” in 2009.



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.



Fiat Qualitas Award  
Best Worldwide Power Supplier



Prêmio Anefac  
Transparency Trophy, 2008.



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



Included in Bovespa Corporate  
Sustainability Index.



- ✓ 36th Apimec Award
  - Best publicly traded company
  - Best IRO





## Accounting criteria for Financial Statements consolidation

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- 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.

# Glossary



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.

# Glossary



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 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

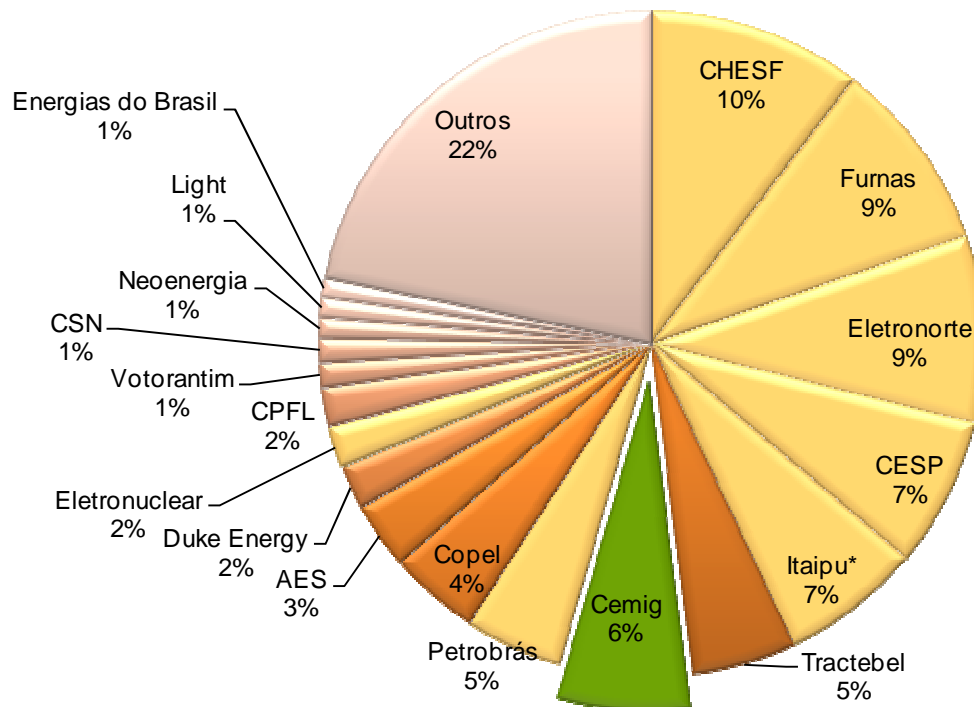
Source: Brazilian Institute for Geography and Statistics (IBGE), Brazilian Electricity Regulator (ANEEL), Brazilian Association of Transmission Companies (ABRATEE), Energy Research Company (EPE).

(1) As of December 31, 2008

# Power Generation: Brazil

## Brazilian power generation capacity

(% of total installed capacity – Dec-2008 )



Itaipu: Brazil's stake

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

# Power Generators are the most exposed to risks

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- 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.



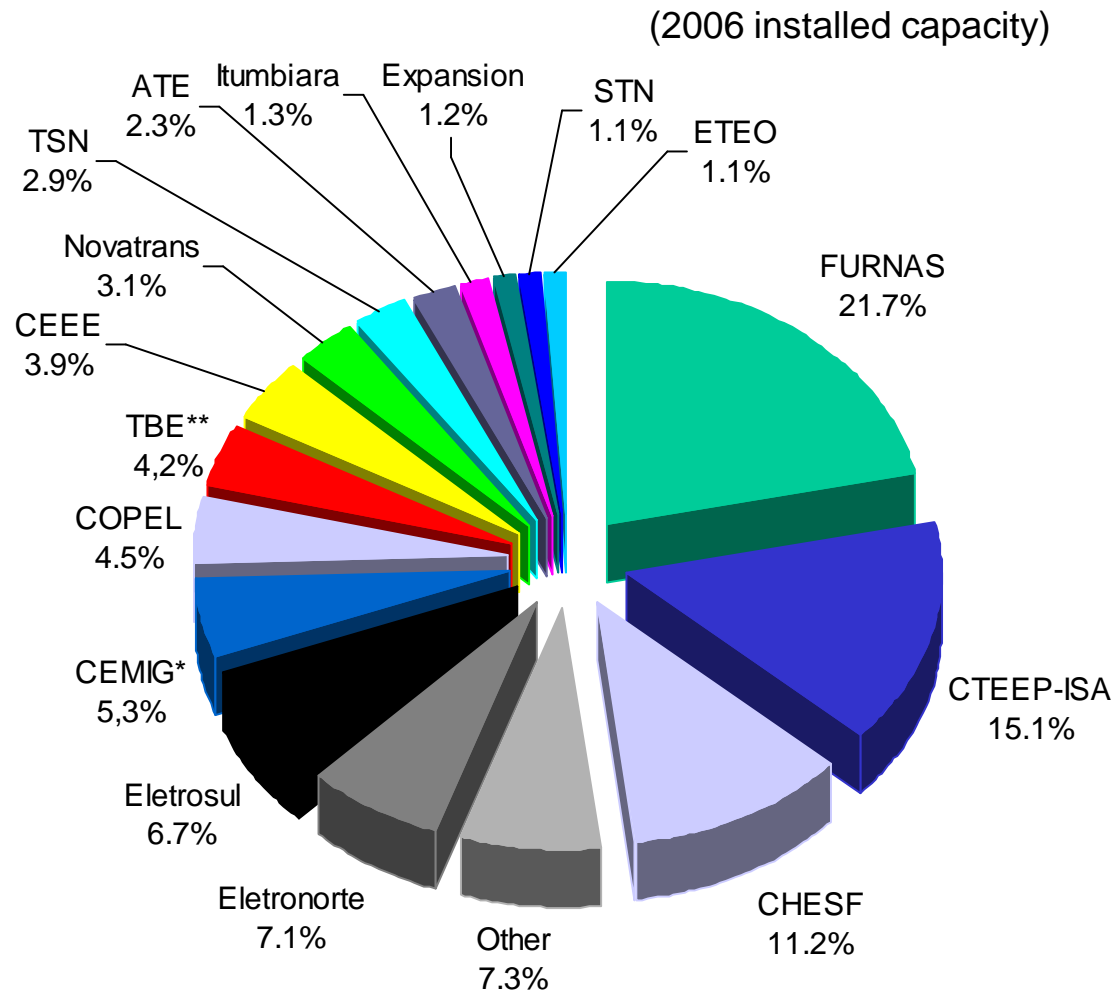
# Power Generation Price Trend

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- 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;

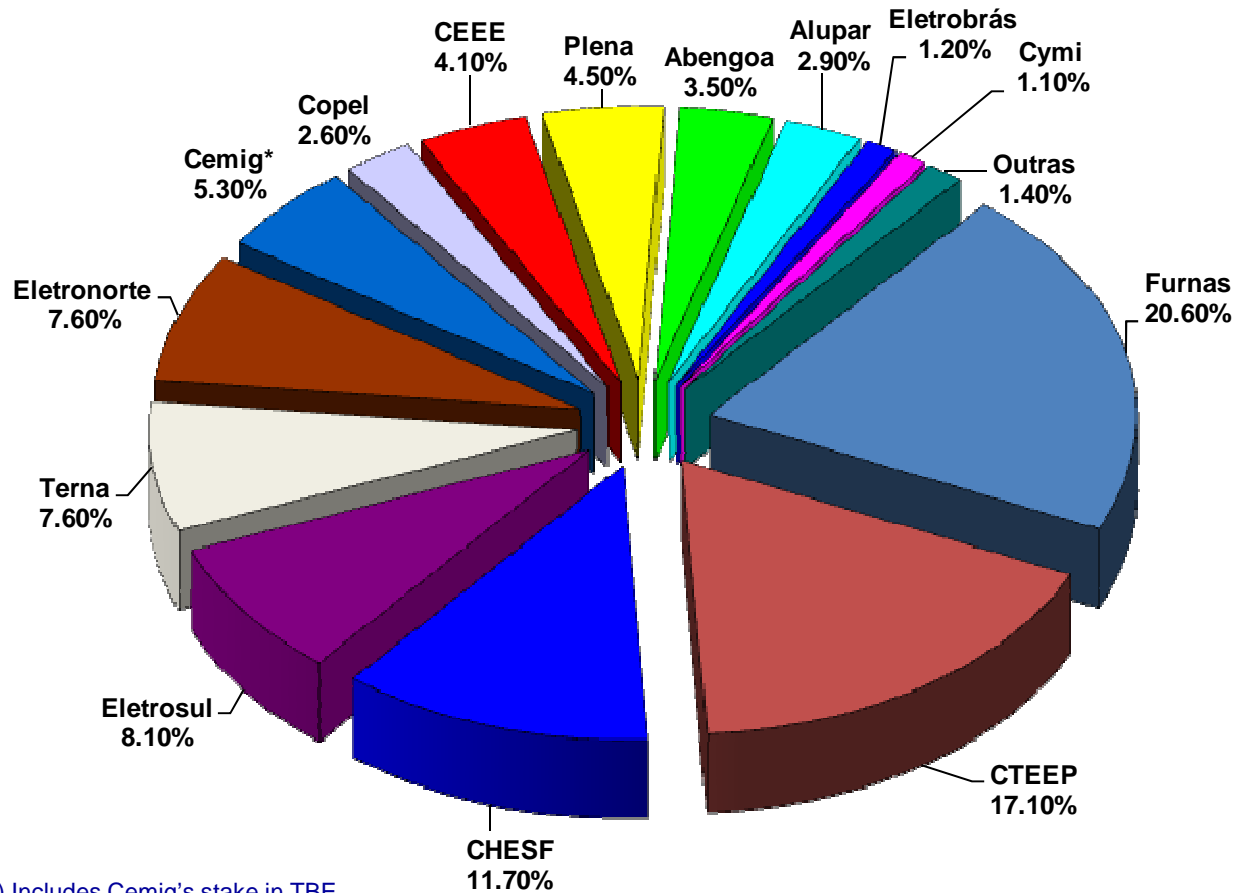
\*\* Deducting the 21% stake in CEMIG

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

# Power Transmission: Brazil



(2008 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.

(\*) Includes Cemig's stake in TBE

# Transmission regulation is the most successful one

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- 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.

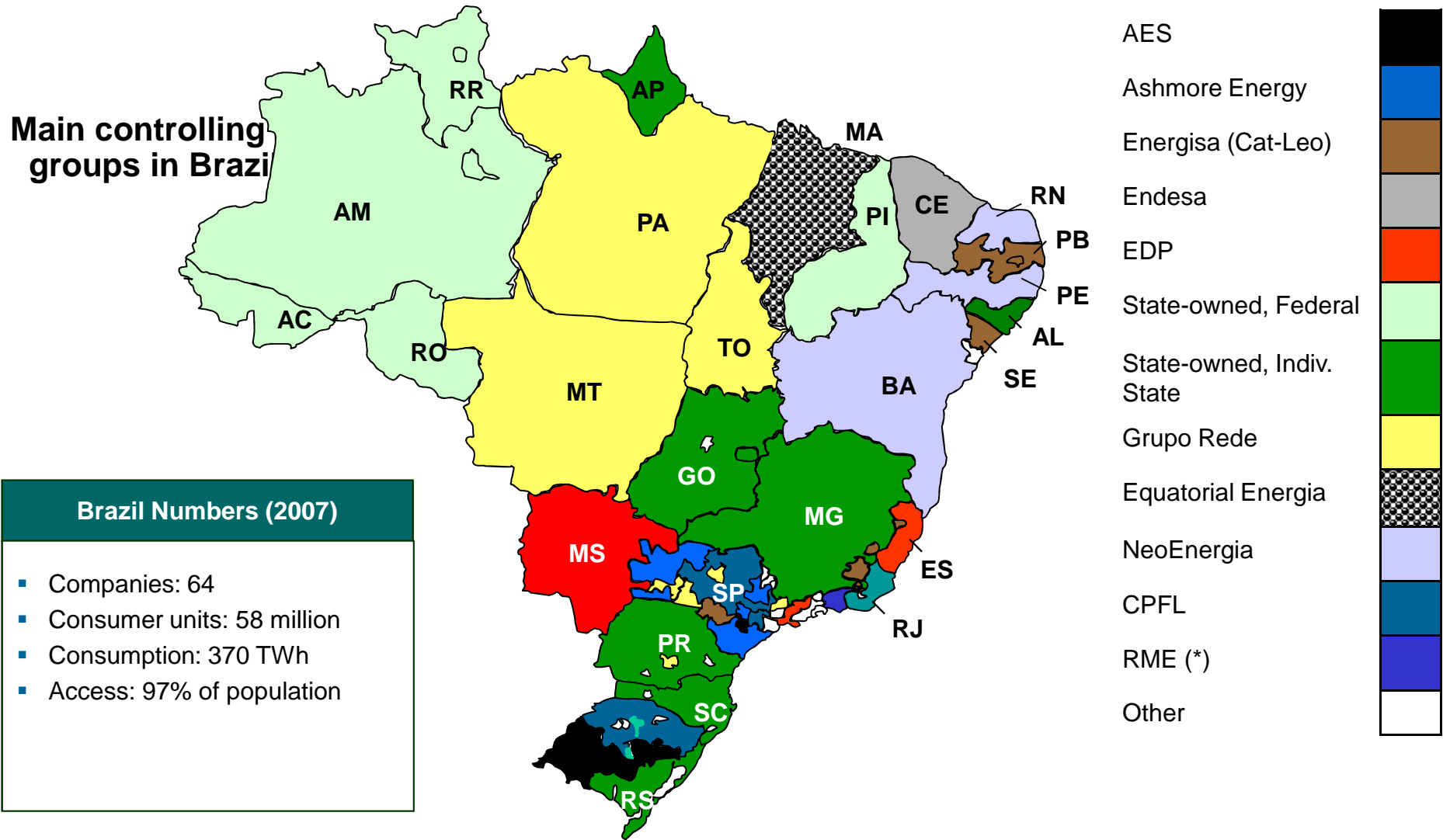
# Transmission network expansion

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- 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



**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

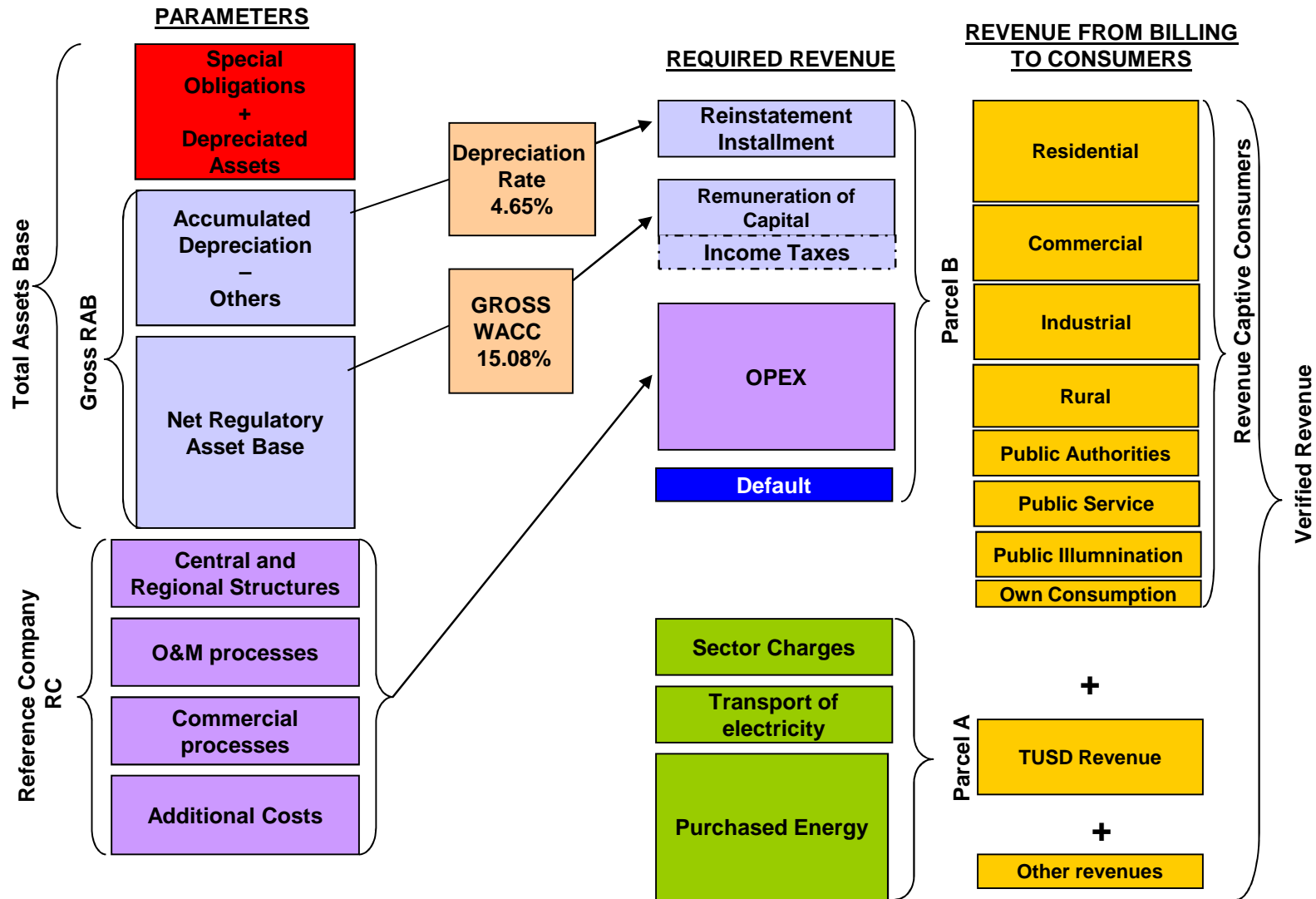
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- Allowed return on asset approach:
  - Benchmark WACC: currently 11.26%;
  - 2008 tariff review: WACC reduced to 9.95%.
- Operating expenses:
  - Full passed through mechanism:
    - Energy purchase expenses under certain circumstances.
  - Yearly 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



# The Collective Work Agreement for 2008–9

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## 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

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## 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.

# Shares in profit and results (PLR)



## 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.

# Shares in profit and results (PLR)

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## 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.

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