



A Melhor Energia do Brasil.

# Successful Strategy

Performance reflects balanced portfolio structure

October 2010



**CIG**  
LISTED  
NYSE

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# Disclaimer



Some statements and estimates in this material may represent expectations about future events or results that involve risks and uncertainties known and unknown. There is no guarantee that the events or results referred to in these expectations will occur.

These expectations are based on present assumptions and analyses from the viewpoint of our management, based on their experience, the macroeconomic environment, market conditions in the energy sector and our expected future results, many of which are not under Cemig's control.

Important factors that can lead to significant differences between actual results and projections about future events or results include Cemig's business strategy, Brazilian and international economic conditions, technology, Cemig's financial strategy, changes in the energy sector, hydrological conditions, conditions in the financial and energy markets, uncertainty regarding future results of operations, plans and objectives as well as other factors. Because of these and other factors, our actual results may differ significantly from those indicated in or implied by these statements.

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To evaluate the risks and uncertainties as they relate to Cemig, and to obtain additional information about factors that could lead to different results from those estimated by Cemig, please consult the section on Risk Factors included in our Formulário de Referência filed with the Brazilian Securities Commission – CVM, and in Form 20-F filed with the U.S. Securities and Exchange Commission – SEC.

All figures are in BR GAAP.



# Brazil's Leading Power Utility



Integrated  
Power  
Utility in  
Brazil

**#1**

Growth in  
EBITDA  
2004-09

**+90%**

Market cap  
of US\$  
10B<sup>(1)</sup>

**#3**

Role in  
industry

**Leading  
consolidator**

In the Power Industry since 1952

(1) As of September 30<sup>th</sup>, 2010

# Cemig: Strength in Numbers



Number of power plants

67

Total installed capacity

6,875 MW

Locations in Minas Gerais State

5,415

Size of concession area vs. France

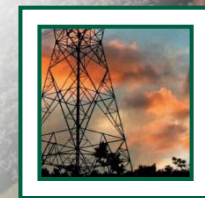
Larger

Electricity Distribution lines

474,013 km

Power Transmission lines

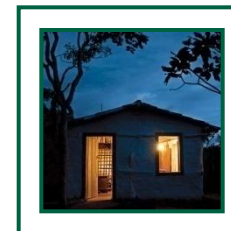
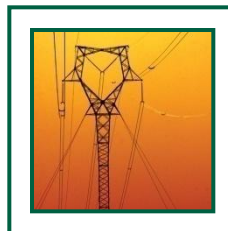
8,768 km



# Cemig at a Glance



- Based in State of Minas Gerais, controlling shareholder
  - growing throughout Brazil and Chile
- Strong financial profile 2009
  - Net revenues: R\$ 11.7B
  - EBITDA: R\$ 4B
- Highest liquidity in sector
  - listed on 3 stock exchanges New York, São Paulo, Madrid
  - >117,000 shareholders in more than 44 countries
  - Average Daily Trading Volume in 2010 (up to September ):
    - R\$42M in Bovespa
    - US\$33M in NYSE
- Solid dividend policy
  - Minimum 50% payout ratio
- Strong Growth outlook in the long run
  - Acquisitions
  - Re-pricing of energy contracts



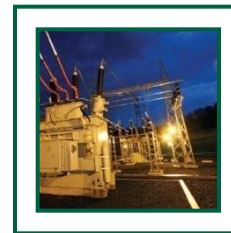
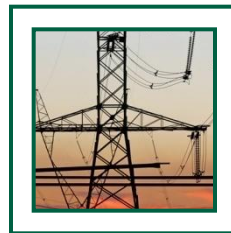
# The Cemig Story – Agenda



The positioning

The performance

The growth



# Cemig is Uniquely Positioned

An aerial photograph showing a large dam structure with a reservoir in the foreground. The surrounding area is lush green with trees and some buildings. The water in the reservoir is a vibrant turquoise color.

1 The Brazil advantage

2 Unmatched scale

3 Diversified portfolio

4 Leader in renewable energy

5 Strong governance

# An Emerging Powerhouse Economy



Latin American economy

#1

Ranking of economy in world

#10

GDP 2009

US\$1.6 Trillion

GDP growth 2010 forecast\*

7.53%

Population

191M

Power industry revenue - 2009

>US\$124 Billion

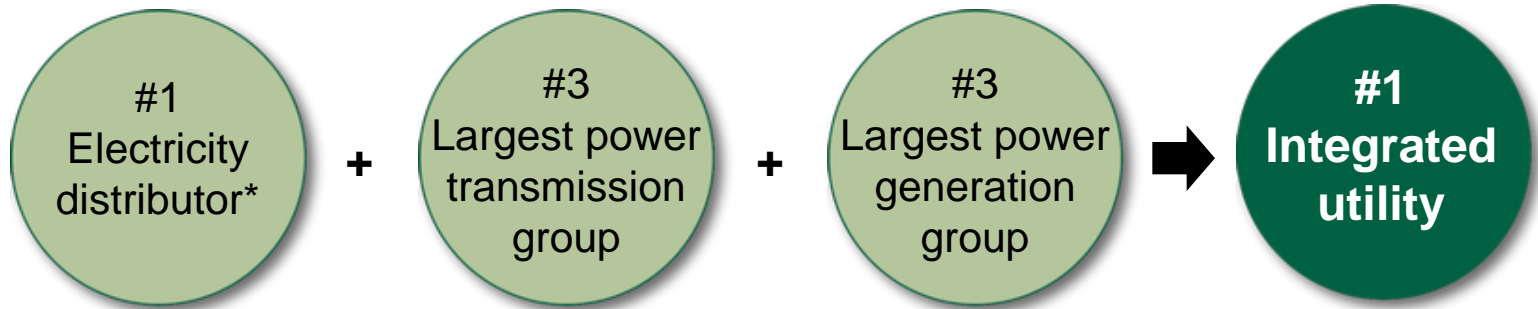
Investment grade by Moody's, Fitch and S&P











\* BACEN – Banco Central do Brasil 09/27/2010 - Focus Report

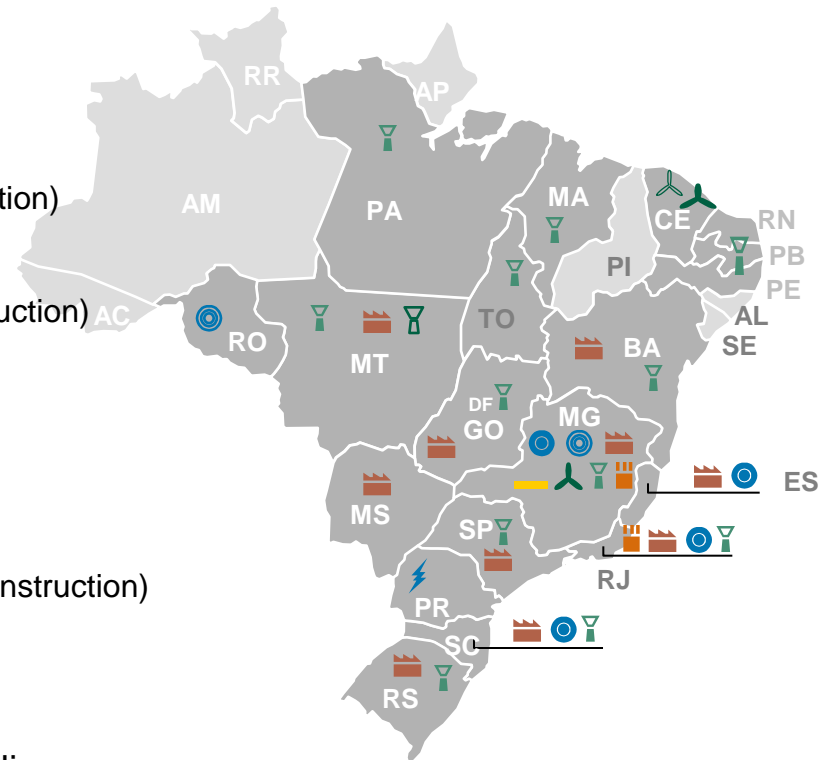




# Largest Integrated Utility in Brazil



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

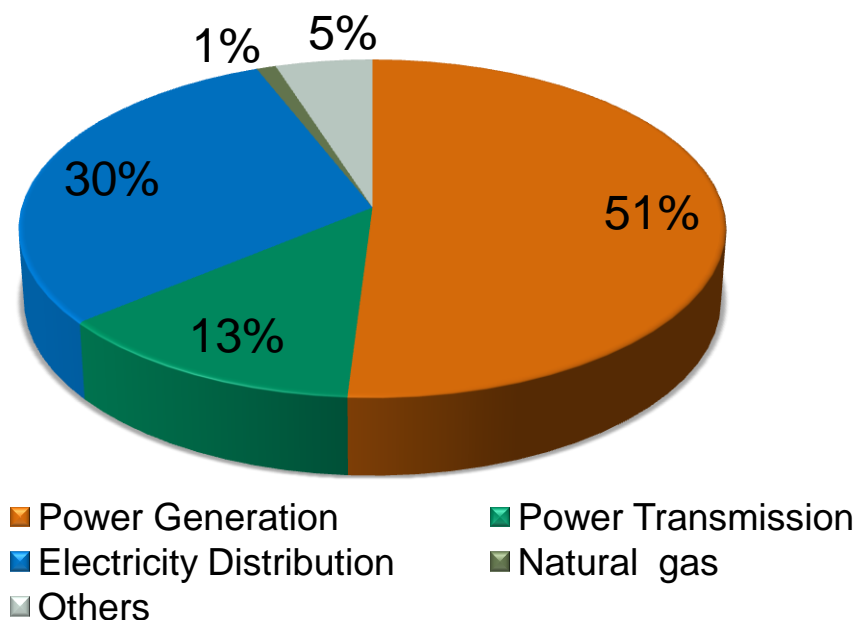


\* in terms of length of electricity distribution lines

# Diversified, Low Risk Business Portfolio



## Breakdown of EBITDA (2009)

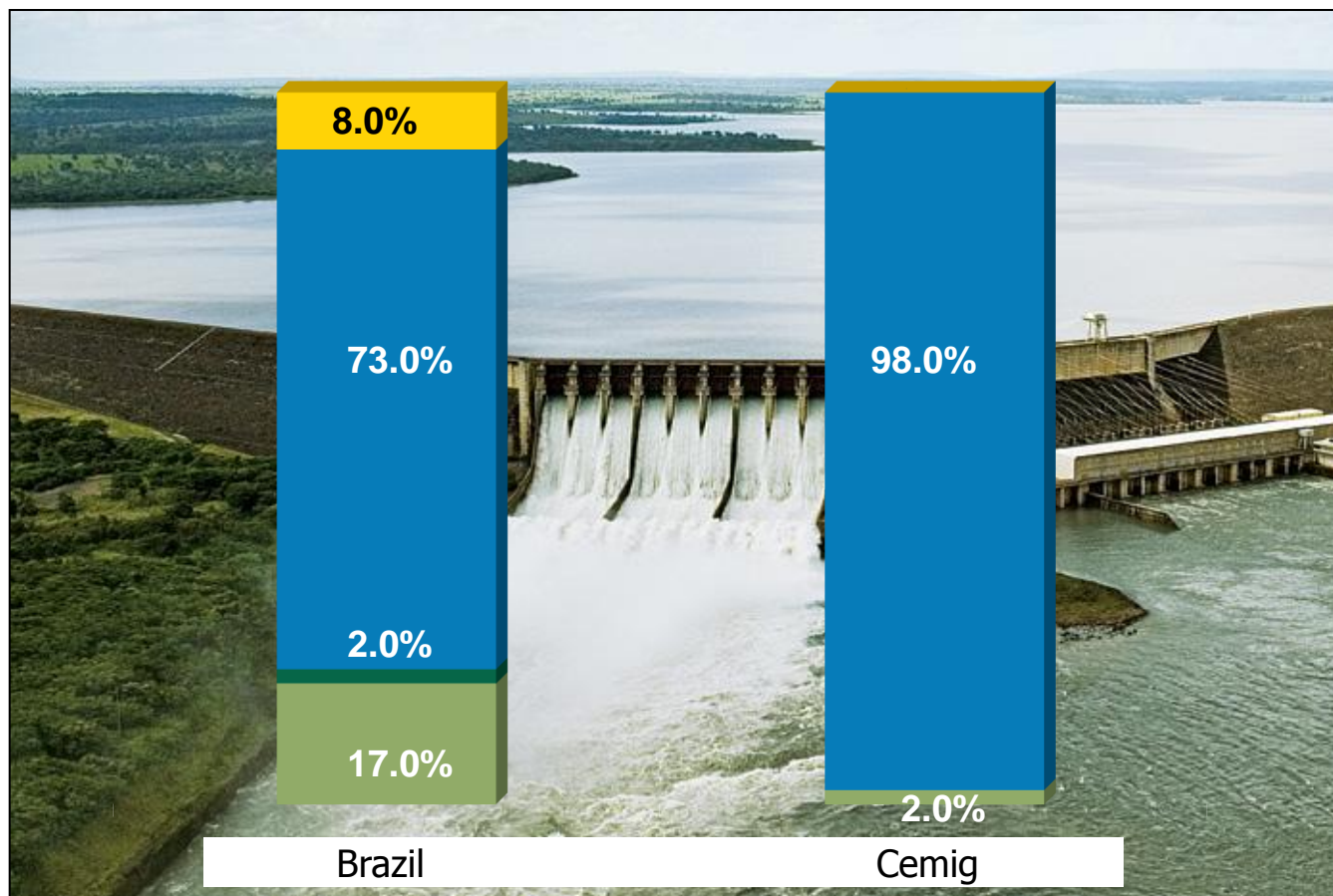


Most revenues are inflation-protected

# Leader in Renewable Hydro Power Energy



## 2009 Power Generation Installed Capacity by Source

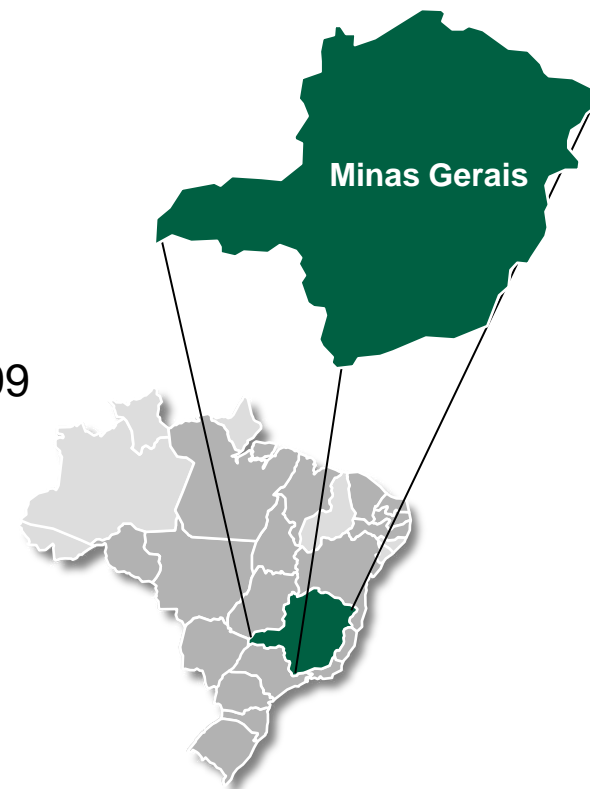


■ Fossil Source Fuels   ■ Nuclear   ■ Hydro   ■ Others

# 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



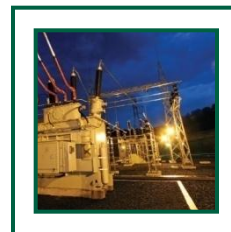
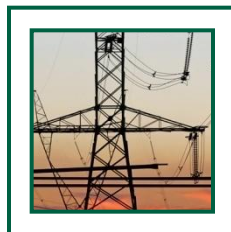
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The positioning

The performance

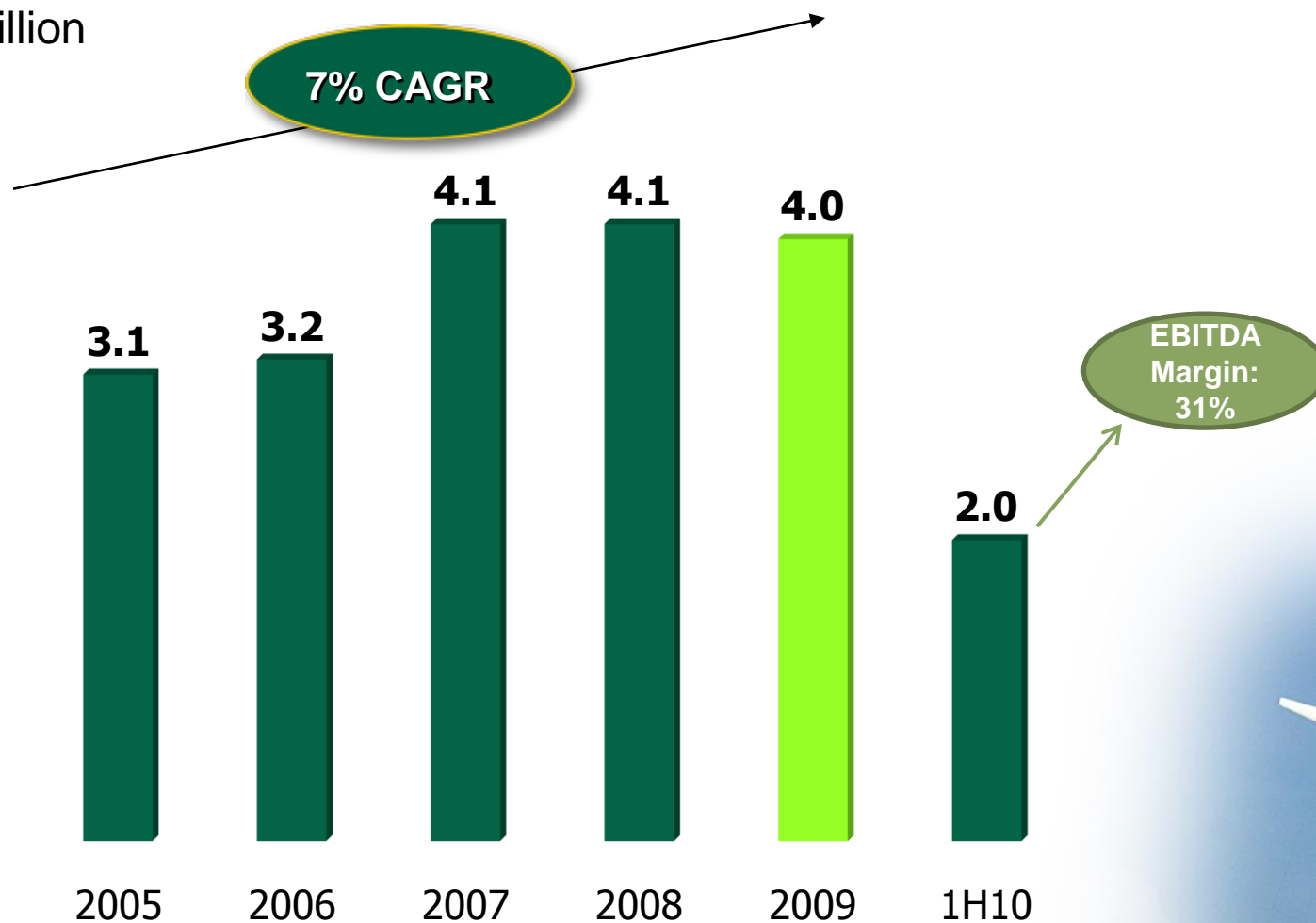
The growth



# Growth in EBITDA



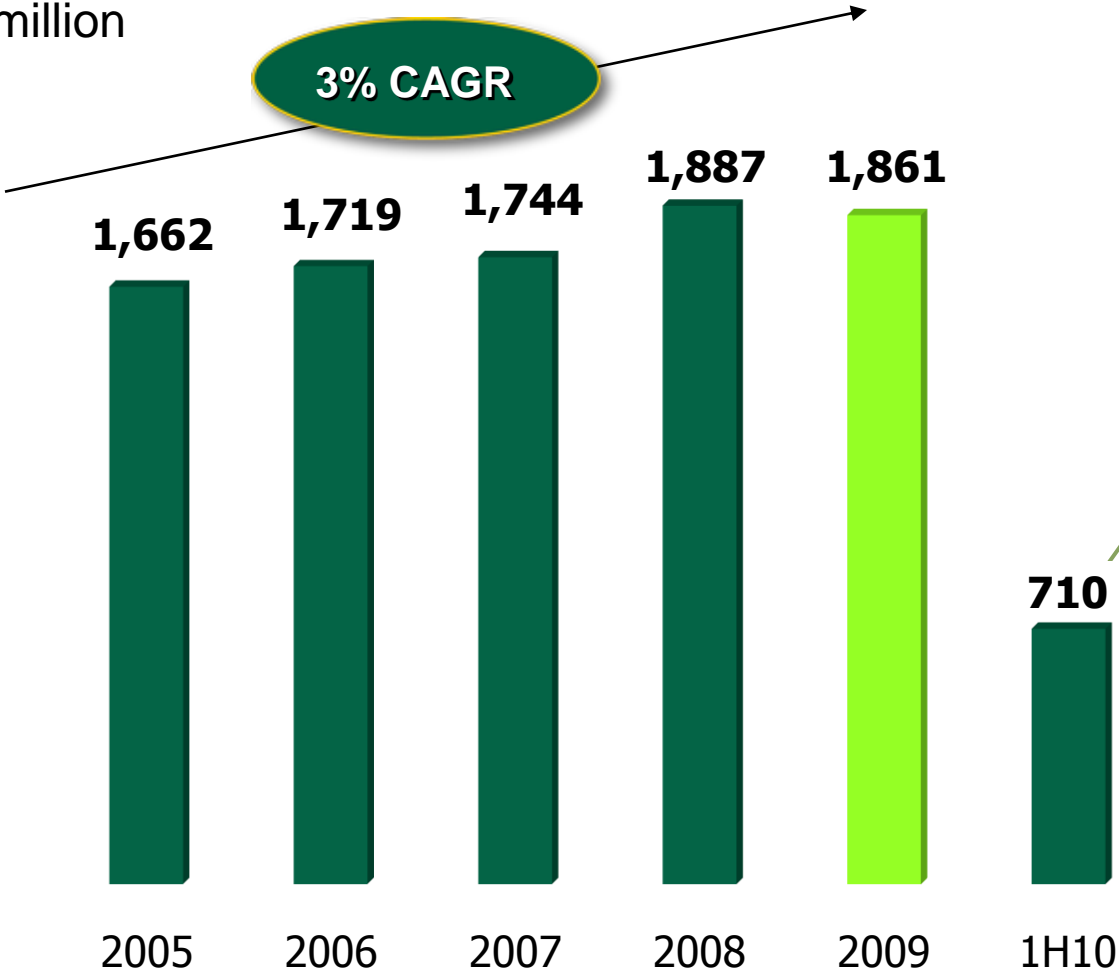
R\$ billion



# Net Income Continues to Expand



R\$ million



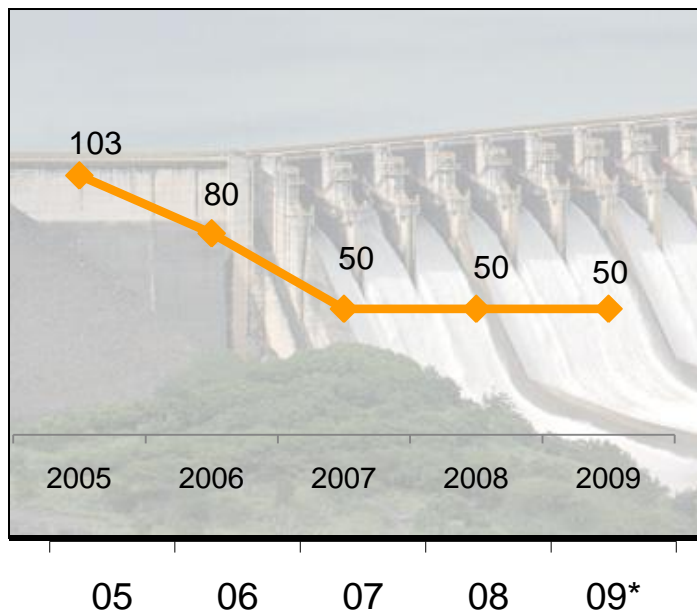
Net Margin: 12%



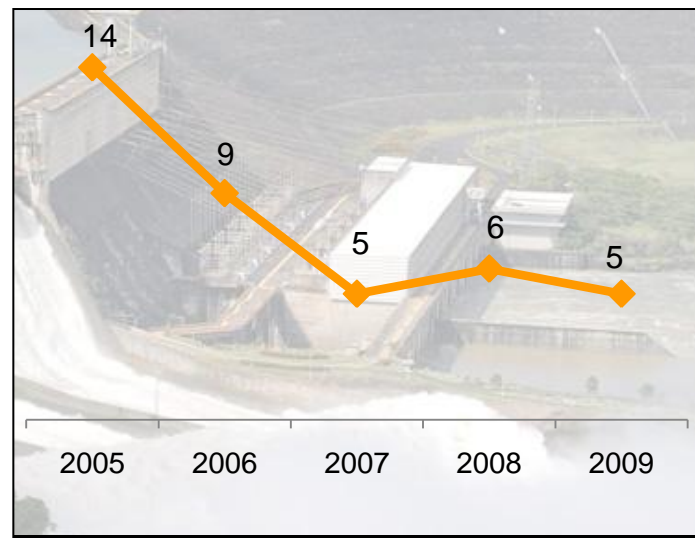
# Attractive and Secure Dividend Payout



Dividend Payout  
(% of Net Income)



Dividend Yield  
(%)



- ✓ Proposal for 2009 Net Income distribution was approved (payment in 2010):
  - Dividends of R\$ 931 million
    - Dividends per share: R\$1.50
  - Stock Dividend of 10%



# Strong Balance Sheet to Support Growth



(June 30<sup>th</sup>, 2010)

Net debt to EBITDA

**2.2X**

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

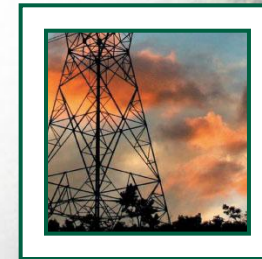
**1.3%**

Cash on hand

**R\$3.8B**

Net Revenue 2Q2010

**R\$ 2.9B**



\* Net of financial hedging

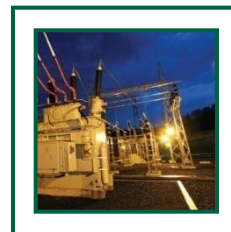
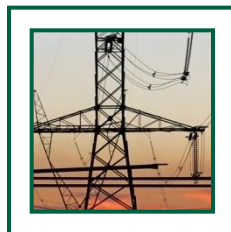
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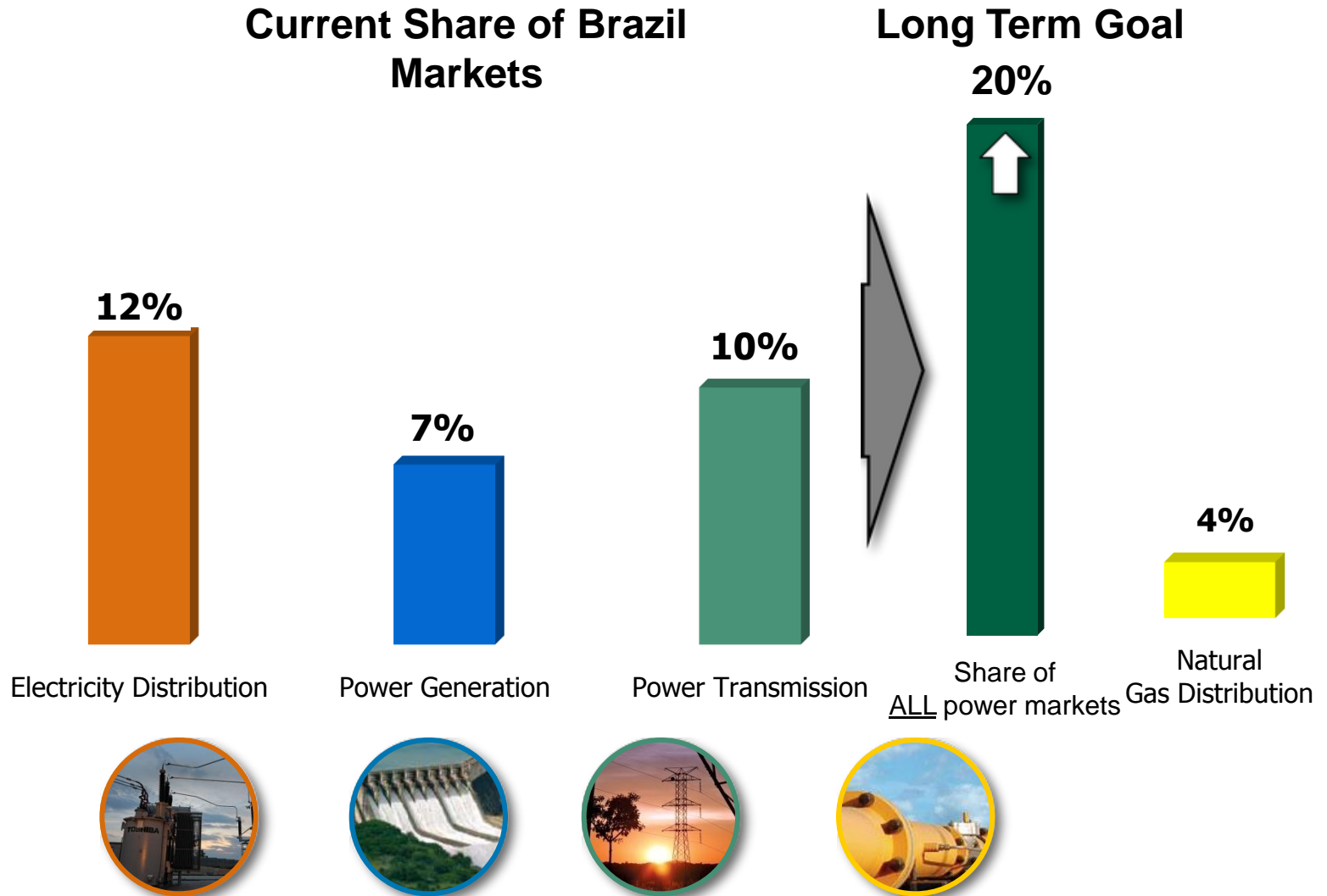
The positioning

The performance

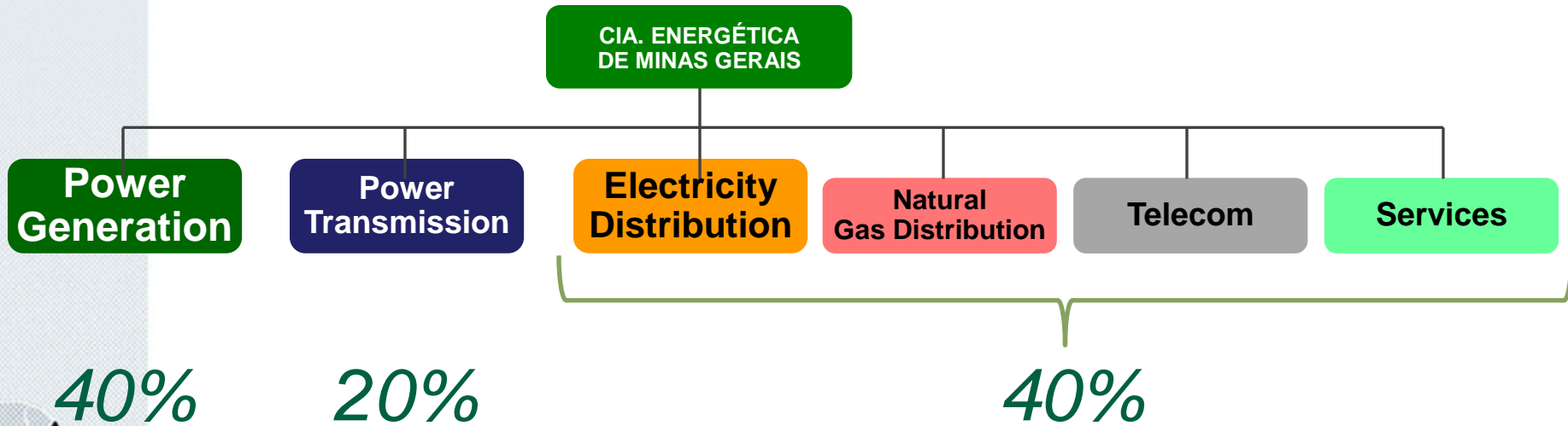
The growth



# Clear Long Term Goals



# EBITDA “Target Breakdown” by business in the long run



# Growth Drivers

1

Leverage price increases



2

Geographic expansion



3

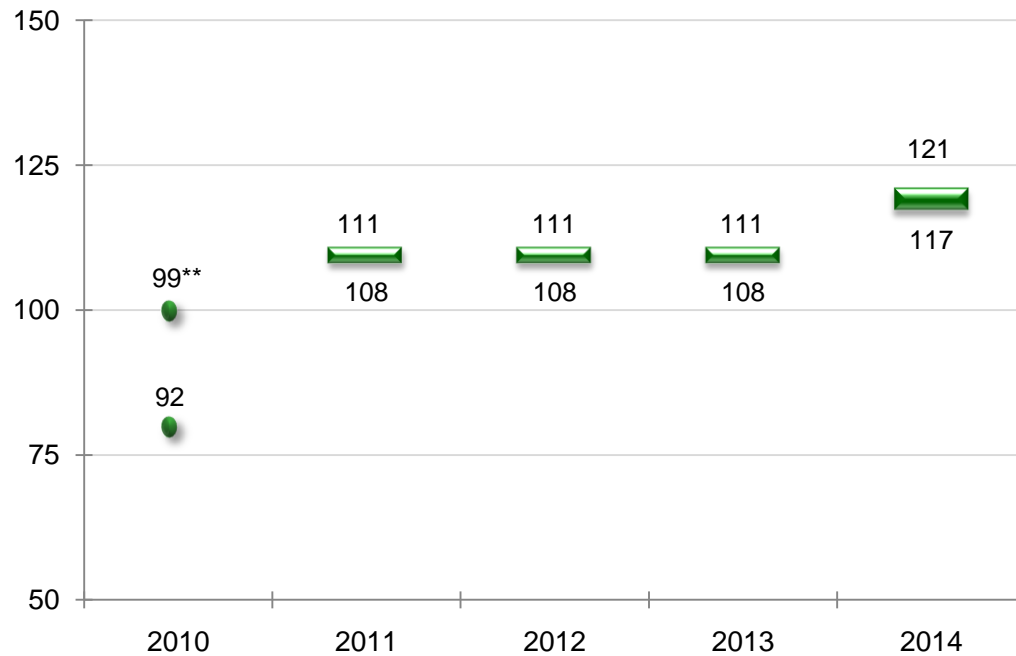
Improve operating efficiency



# Re-Pricing of Power Sales Contracts



Guidance for Average Prices – Cemig GT\*  
(R\$/MWh)



\*Constant base – June 2010

\*\*Without secondary power

# Geographic Expansion



## Geographic focus

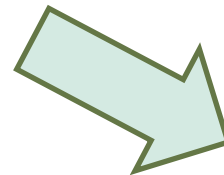
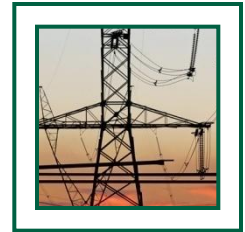
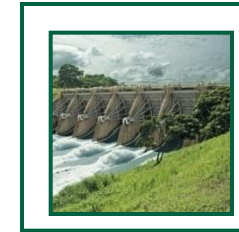
- Within Brazil and selected international investments

## Business focus

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

## Type of investments

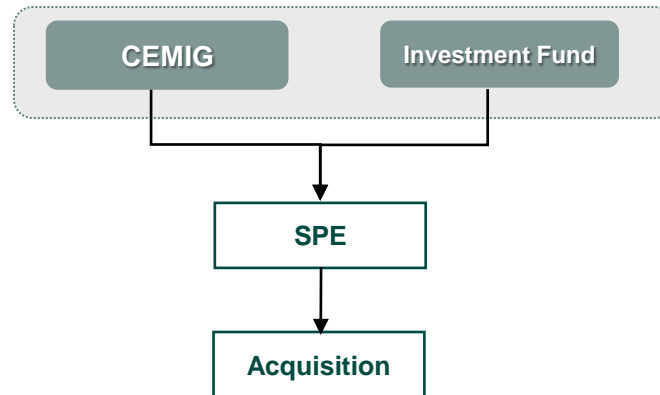
- Acquisitions – main driver of short term growth
- Greenfield projects – vehicle for long term growth



Disciplined investment criteria

# Record of Successful Acquisitions

## Business Model for Growth



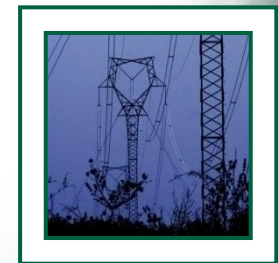
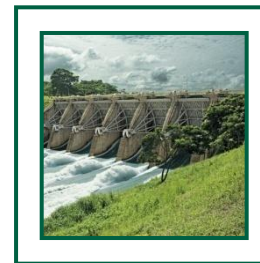
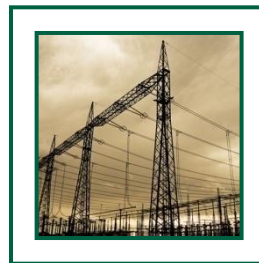
- Record of 5 acquisitions in past 5 years totaling R\$ 3B (excluding debt)
- Partnerships with Equity Investment Funds (FIPs) in TAESA (TERNA) and new stake in LIGHT acquisitions create a new growth driver: a strategy to optimize capital needs
- Attractive return to investors at a low risk
- Best-in-class Corporate Governance
  - Investors enter as financial partners and Cemig as operating partner
  - Possibility of increasing stake in the future
- Innovative acquisition structure enabling Cemig to seize other expansion opportunities aligned with its Long-Term Strategic Plan



# Continually Improving Operating Efficiencies



- Continuous technological improvement
- Cost reduction program
  - 135 cost cutting initiatives
  - Voluntary Retirement Programs:
    - From 2008 to 2011: 1,500 employees
  - Automatization, new processes
  - Centralization of activities
  - Expense reduction related to materials, services and other expenses



# Clear Priorities for 2010 - 2011



## Priorities

- 1 Execute cost reductions
- 2 Integrate Terna and Light acquisitions
- 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

# Investor Relations

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BOVESPA BRASIL

 **CMIG4**  
**NÍVEL 1**  
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 **LATIBEX**  
**XCMIG**

 **Indice de**  
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**Empresarial** **ISE**  
2009-2010



