



A Melhor Energia do Brasil.

# Successful Strategy

Performance reflects balanced portfolio structure

November, 2010

**CIG**  
**LISTED**  
**NYSE**

**CIG.C**  
**LISTED**  
**NYSE**

# 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 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.

The information and opinions contained herein should not be understood as a recommendation to potential investors and no investment decision should be based on the truthfulness, or completeness as of the date hereof of this information or these opinions. None of Cemig's professionals nor any of their related parties or representatives shall have any liability for any losses that may result from the use of the content of this presentation.

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\$  
10.4B<sup>(1)</sup>

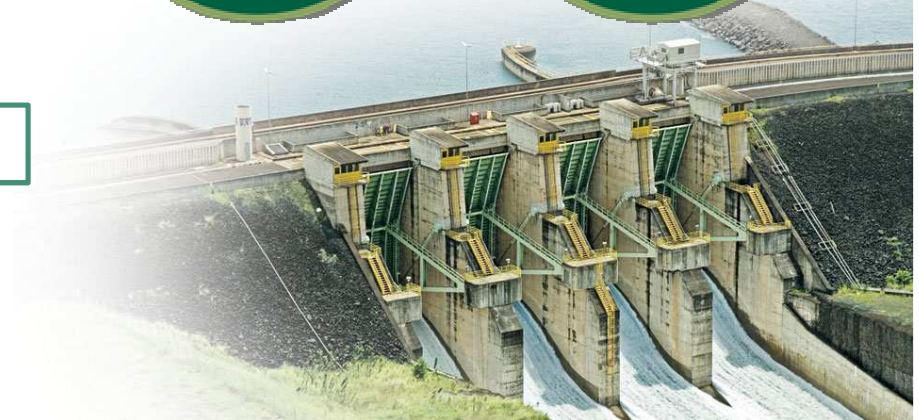
**#3<sup>(2)</sup>**

Role in  
industry

**Leading  
consolidator**

In the Power Industry since 1952

- (1) As of October 26<sup>th</sup>, 2010  
(2) In the Power Industry



# Cemig: Strength in Numbers



Number of power plants

67

Total installed capacity

6,896 MW

Locations in Minas Gerais State

5,415

Size of concession area vs. France

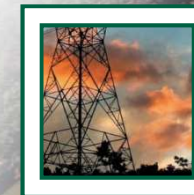
Larger

Electricity Distribution lines

474,559 km

Power Transmission lines

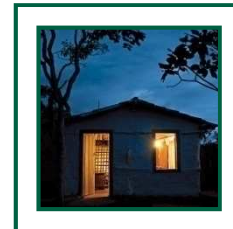
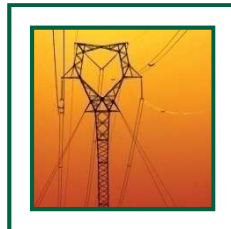
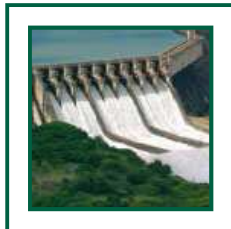
8,768 km



# 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 October 26<sup>th</sup>):
    - R\$43M 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



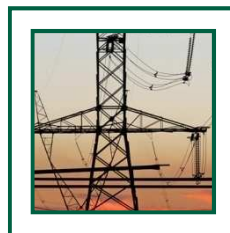
# The Cemig Story – Agenda



The positioning

The performance

The growth



# Cemig is Uniquely Positioned



**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\*

7.5%

Population

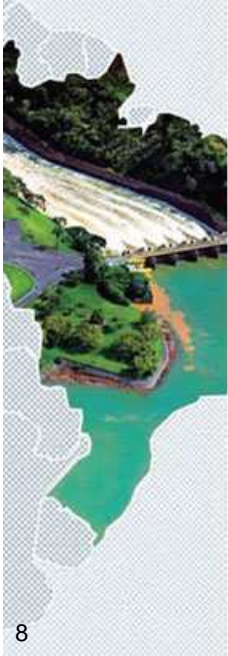
191M

Power industry revenue - 2009

>US\$124 Billion

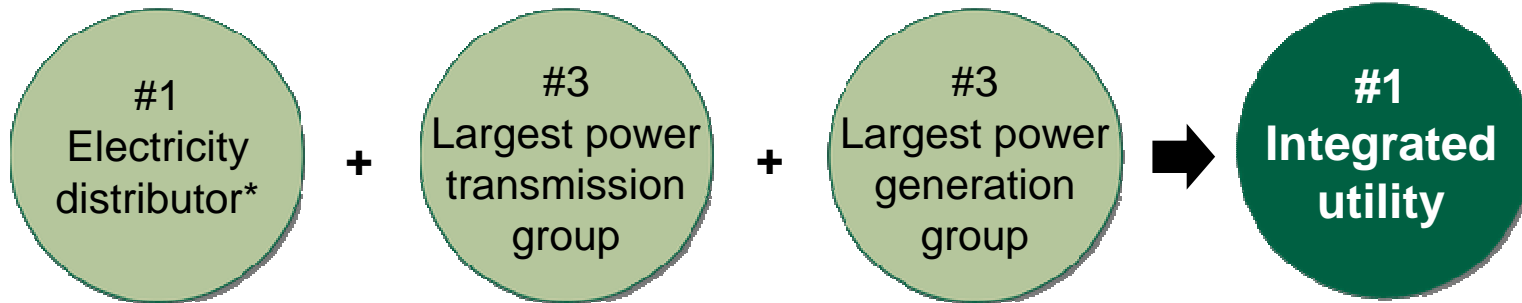
Investment grade by Moody's, Fitch and S&P












\* BACEN – Banco Central do Brasil 10/15/2010 - Focus Report

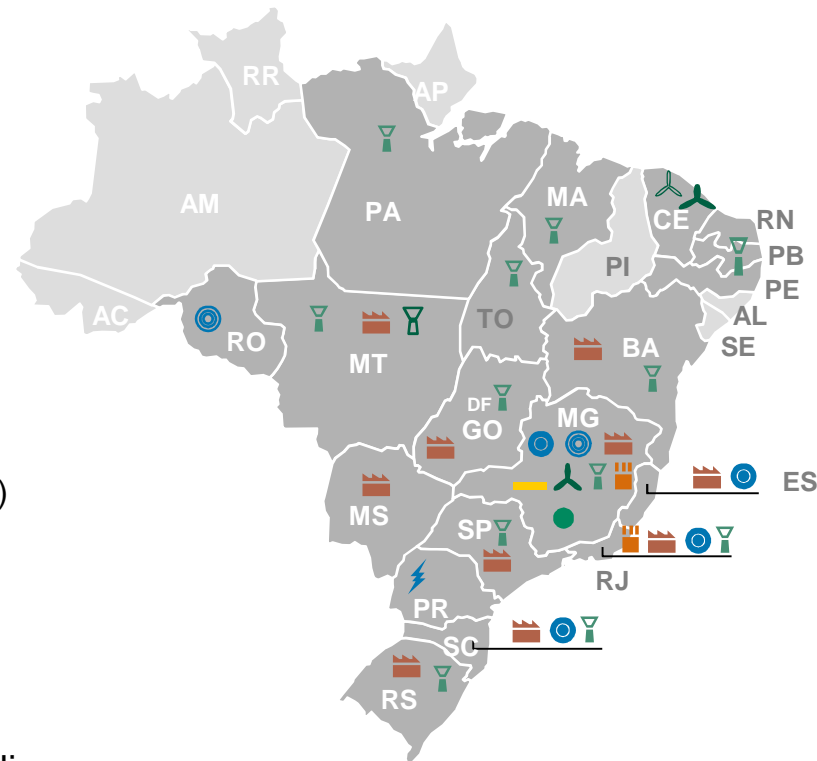




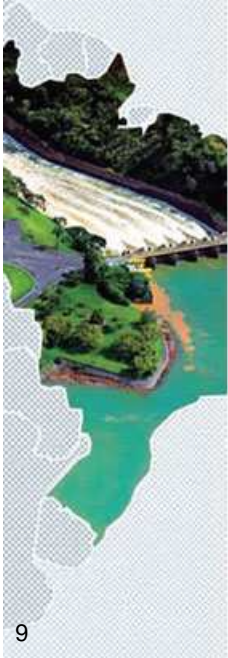
# Largest Integrated Utility in Brazil



-  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
-  Telecom Backbone Provider



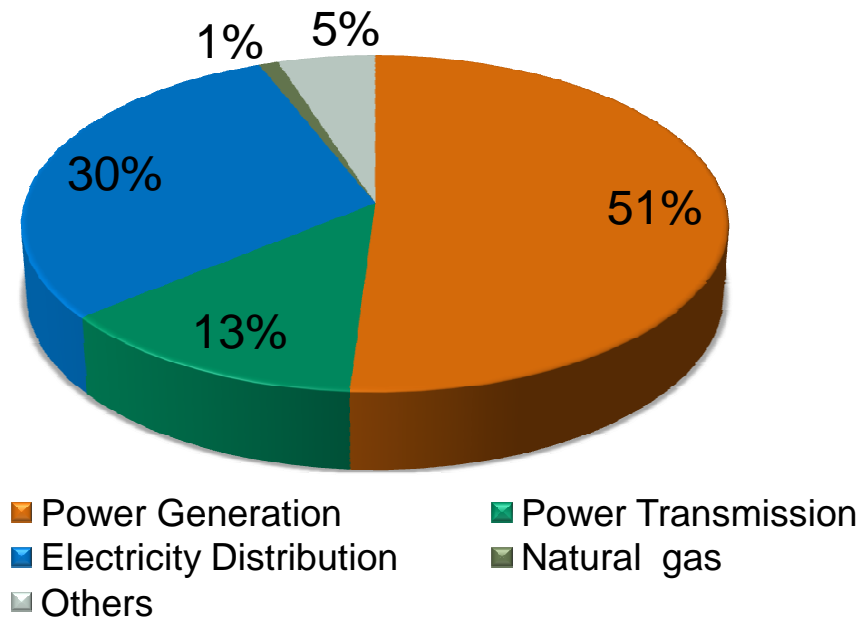
\* in terms of length of electricity distribution lines



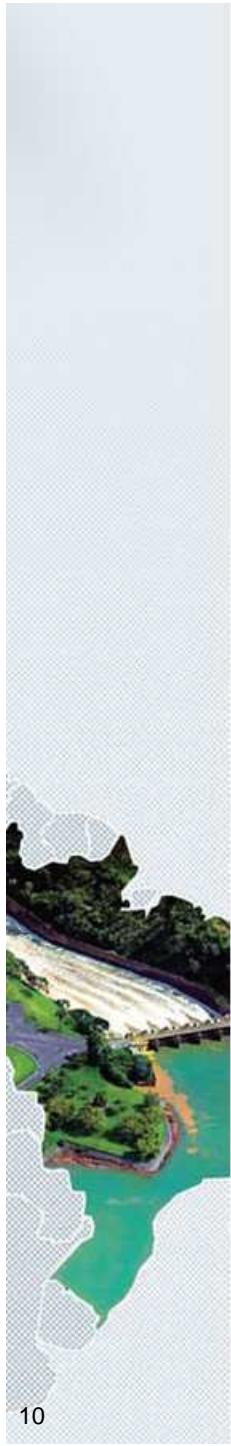
# Diversified, Low Risk Business Portfolio



### Breakdown of EBITDA (2009)



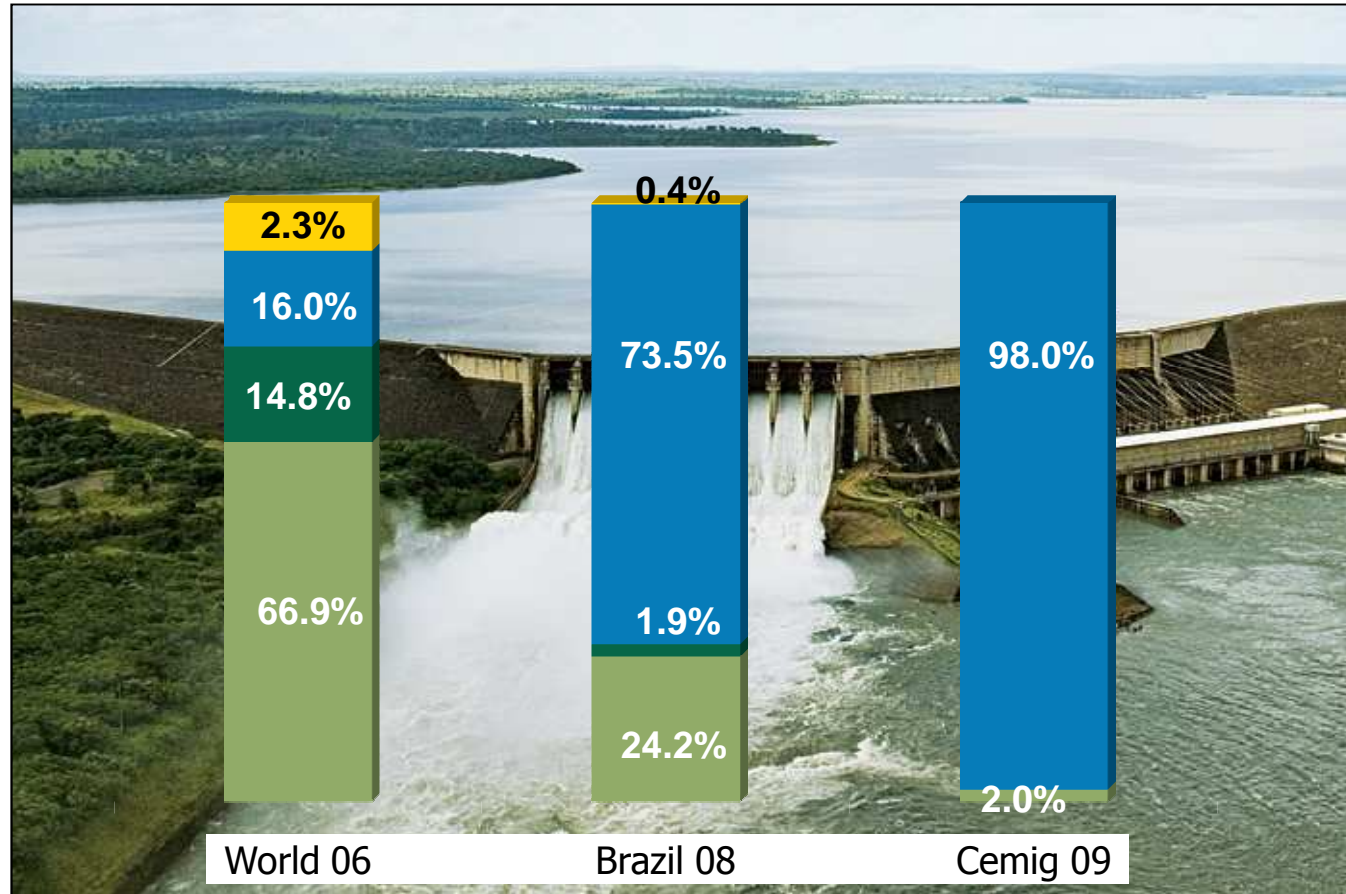
Most of revenues are inflation protected



# Leader in Renewable Hydro Power Energy



## Power Generation by Source

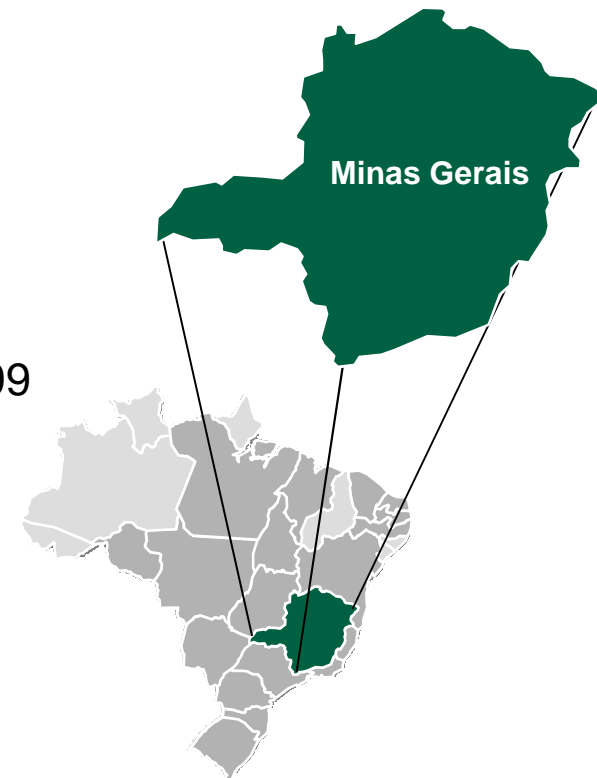


■ Fossil Source Fuels   ■ Nuclear   ■ Hydro   ■ Others

# 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

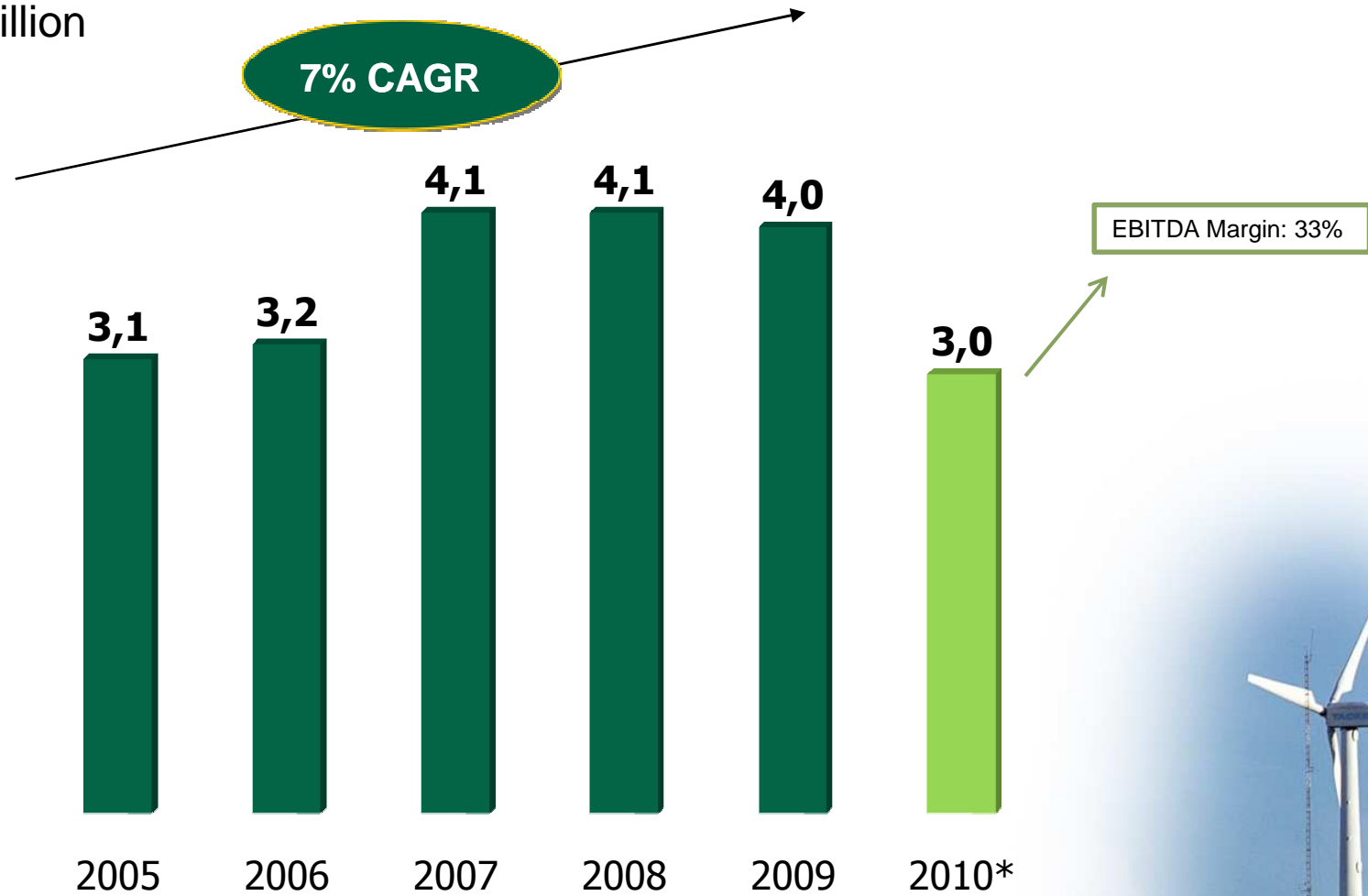
The growth



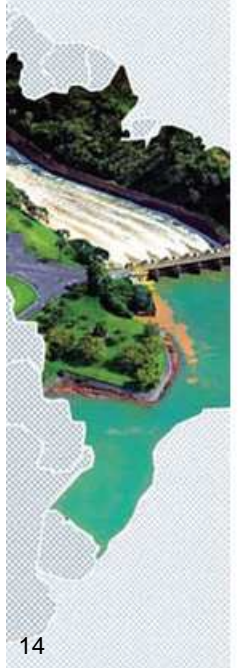
# Growth in EBITDA



R\$ billion



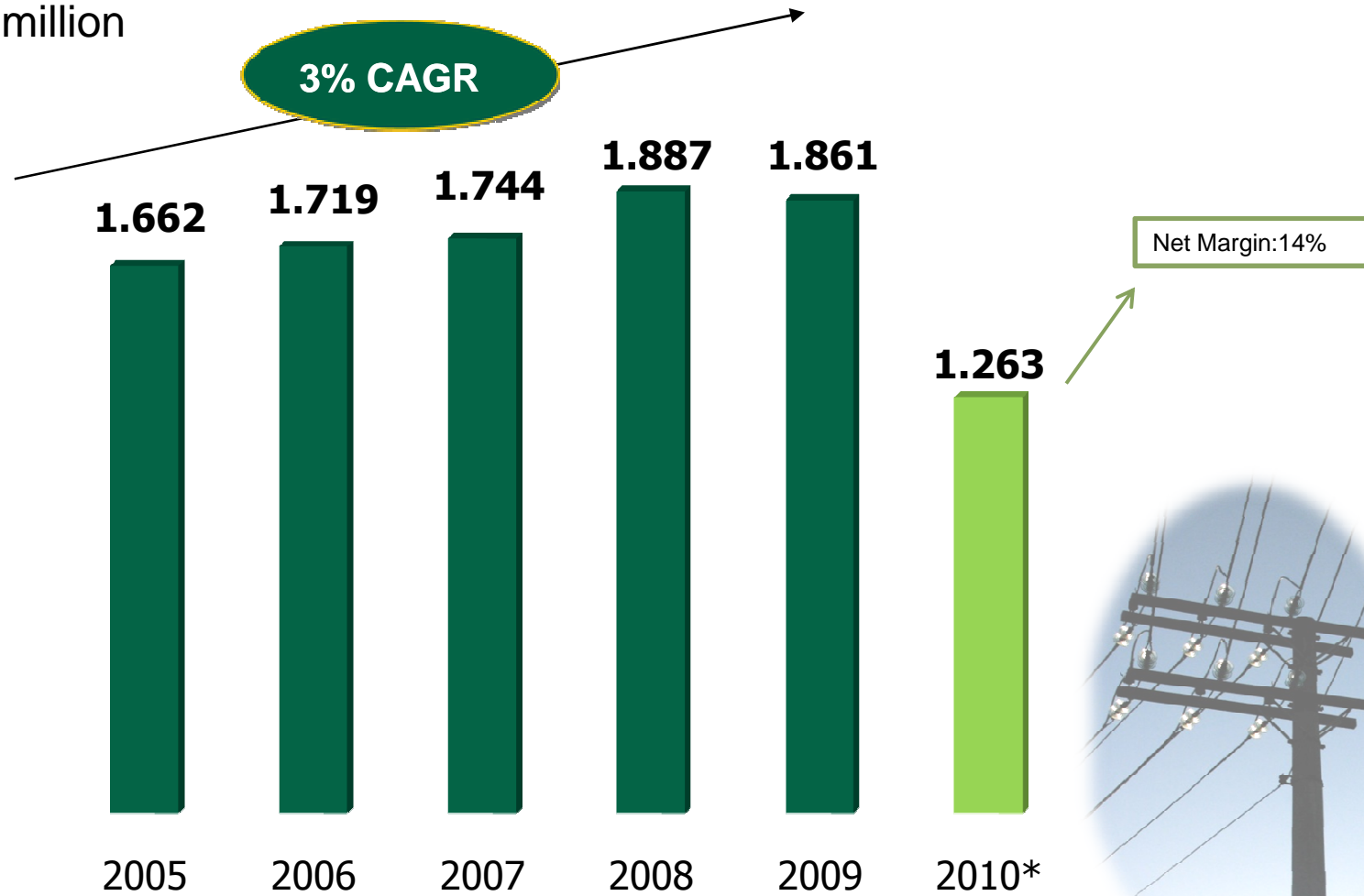
(\*)Up to September



# Net Income Continues to Expand



R\$ million

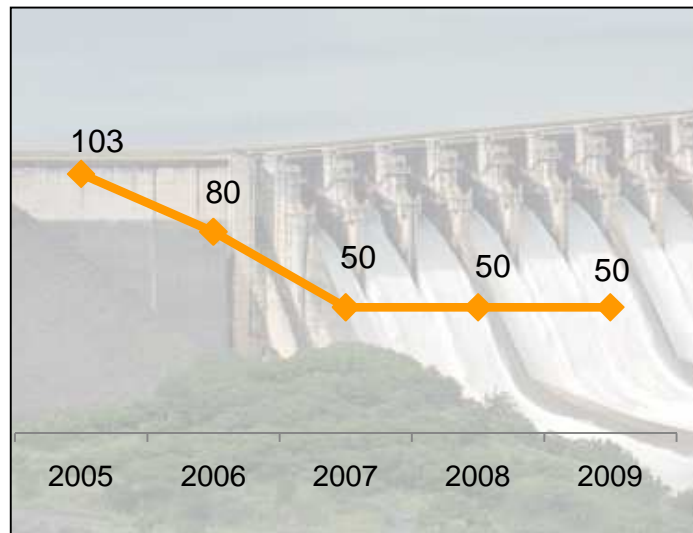


(\*)Up to September

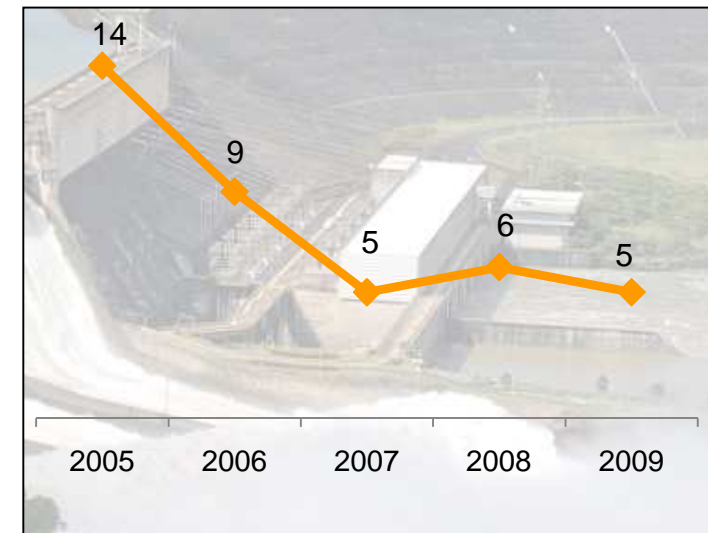
# Attractive and Secure Dividend Payout



Dividend Payout  
(% of Net Income)



Dividend Yield  
(%)



✓ Proposal for 2009 Net Income distribution was approved:

- Dividends of R\$ 931 million
  - Dividends per share: R\$1.50
- Stock Dividend of 10%



# Strong Balance Sheet to Support Growth



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

Net debt to EBITDA

2.1X

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

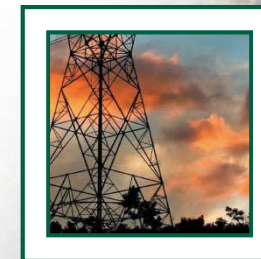
< 2%

Cash on hand<sup>(\*\*)</sup>

R\$4.2B

Net Revenue 2010<sup>(\*\*)</sup>

R\$ 9.1B

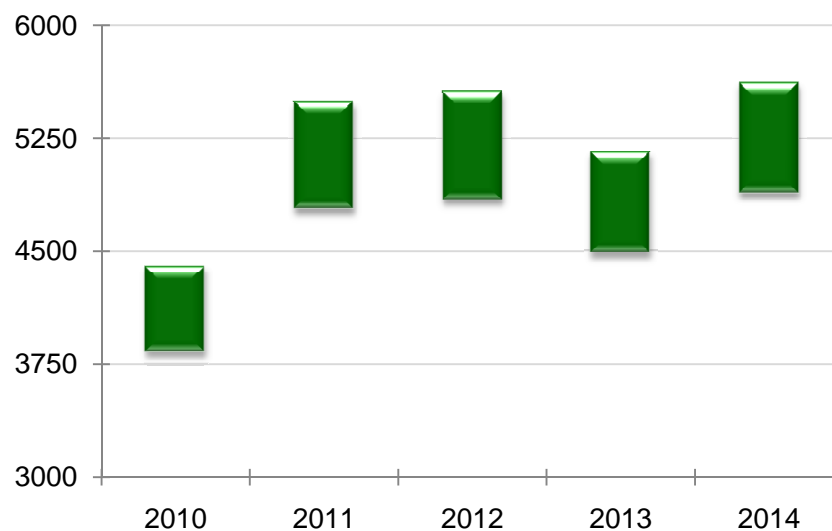


- Net of financial hedging
- (\*\*)Up to September

# EBITDA guidance



**EBITDA guidance<sup>(1)</sup> 2010-2014 R\$ million**  
(upper + lower limits of range)



Year	Lower limit	Upper limit
2010	3,825	4,400
2011	4,773	5,491
2012	4,832	5,560
2013	4,483	5,158
2014	4,879	5,614

Consolidated figures include values from Holding and other holdings.

(1) Constant currency as of June 2010. Considers just the existing assets. Will be revised by May 2011

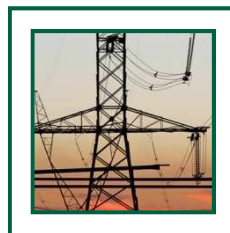
# The Cemig Story – Agenda



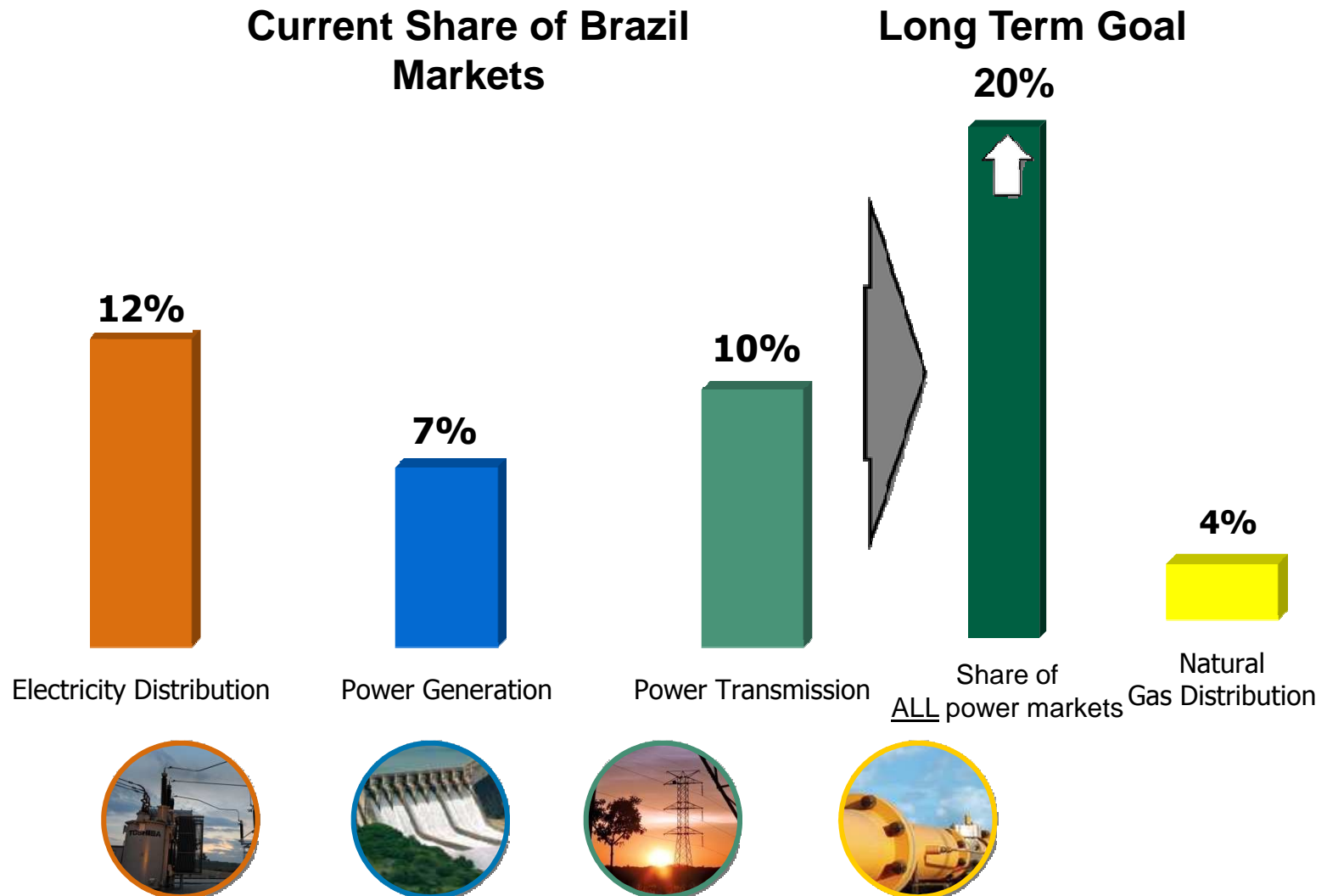
The positioning

The performance

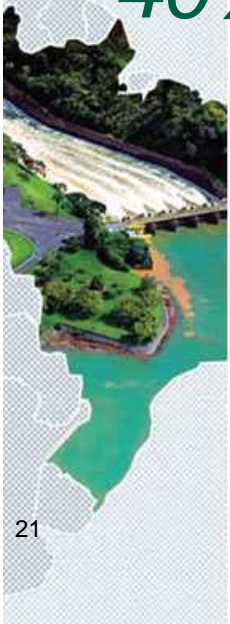
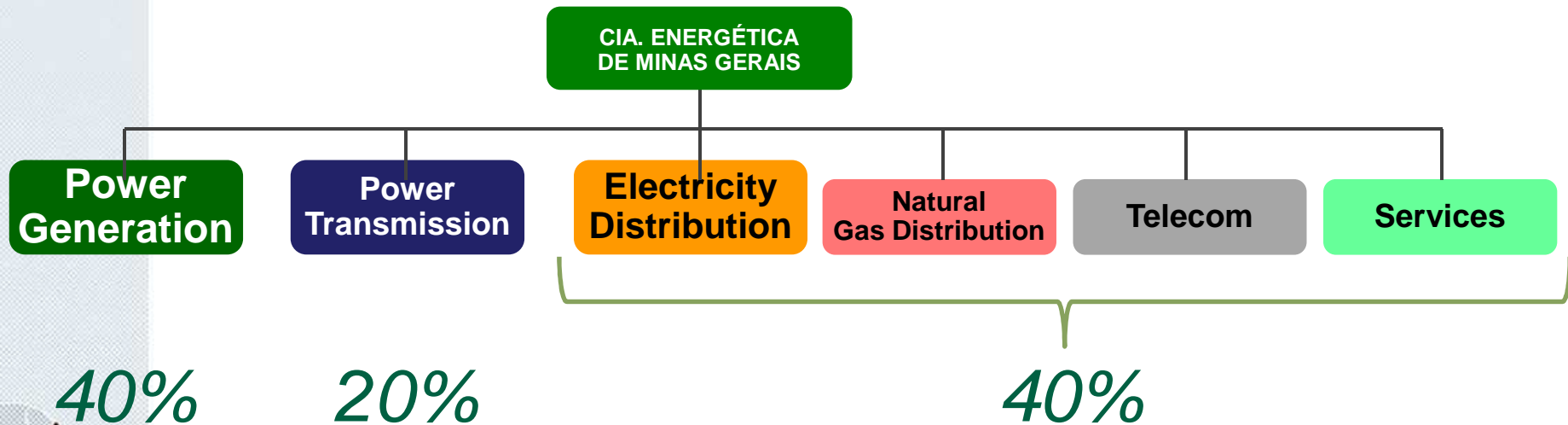
The growth



# Clear Long Term Goals



# Target Ebitda contribution by business in the long run



# Growth Drivers



1

Leverage price increases



2

Geographic expansion



3

Improve operating efficiency

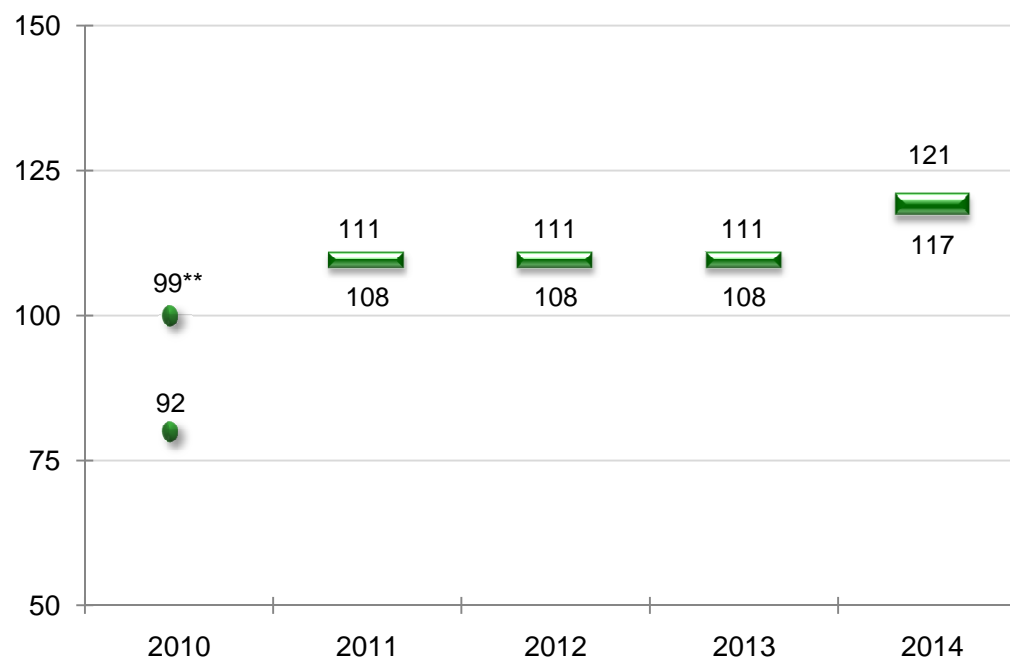


# Re-Pricing of Power Sales Contracts



## Guidance for Average Prices – Cemig GT\*

(R\$/MWh)



\*Constant base – June 2010

\*\*Without secondary power

# Geographic Expansion



## Geographic focus

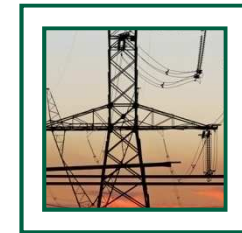
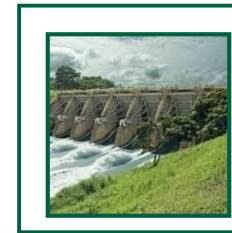
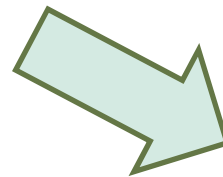
- Within Brazil and selected international investments

## 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



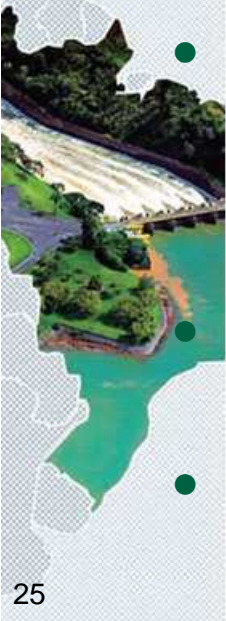
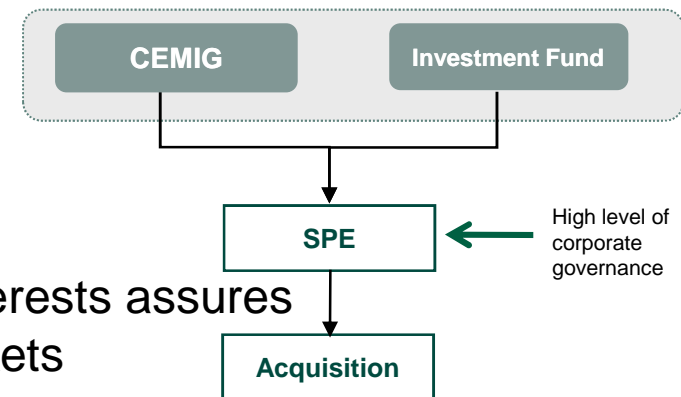
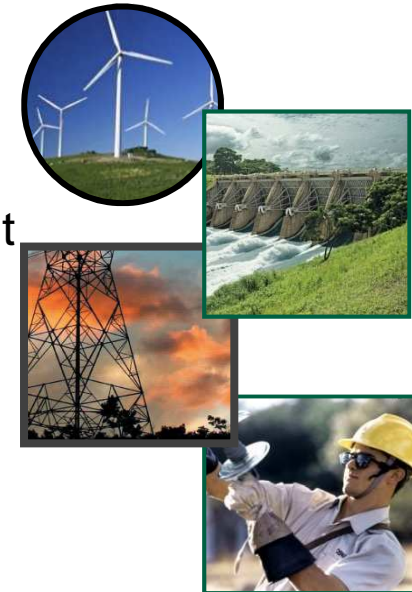


# Record of Successful Acquisitions

## Business Model for Growth



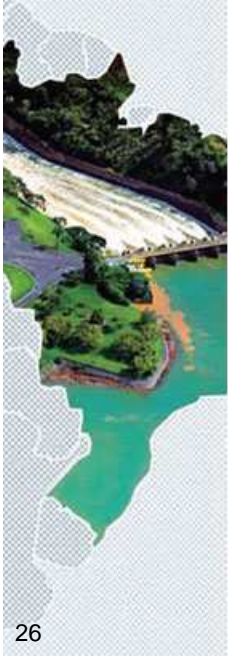
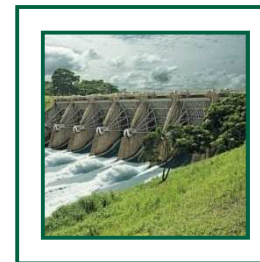
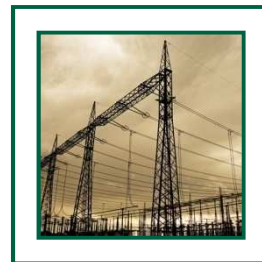
- Record of 5 acquisitions in last 5 years totaling R\$ 3B (excluding debt)
- Partnerships with Equity Investment Funds (FIPs) in recent acquisitions (Terna and Light) create a new growth driver
- Structuring of partnerships with FIPs produces a growth strategy that optimizes capital needs
- Attractive return to investors, at low risk
- Best-in-class Corporate Governance
  - Investors enter as financial partners and Cemig as operating partner
  - Possibility of increasing stake in the future
- Strategic positioning with minority or equal interests assures Cemig greater access to financial capital markets
- Innovative acquisition structure enables Cemig to use it in 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

**CEMIG**  
A Melhor Energia do Brasil.



# Appendix



# Agenda

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- Background
- Strategy Overview
- Business Outlook
- Acquisitions
- Results
- Market Recognition
- Regulatory Framework
- Others

# Brazilian GDP growth is driven by domestic market



## Economics

- Largest Latin America economy
- 10th largest world economy
- GDP (2009): US\$ 1.57 trillion (-0.2%)
- Inhabitants: 192 million
- Area: 8.5 million km<sup>2</sup>
- Currency<sup>(1)</sup>: Reais (BRL) – US\$1 = R\$ 1.69
- Reserves<sup>(1)</sup>: US\$ 275billion

## **Investment Grade** **(S&P, Fitch and Moody's)**

## Electric Power Industry

- Power Generation
  - ✓ Installed Capacity: 107 GW
  - 73% Hydro; 10% Natural Gas; 6% Oil;
  - 7% Biomass; 2% Nuclear; 1% Coal; 1% wind farm
- Power Transmission
  - ✓ National Network: 102,000 km
  - ✓ Peak Demand in 2009: 64.04 GWh/h
- Electricity Distribution
  - ✓ Energy Consumption: 388,204 GWh
  - 43% industries and 26% householders
  - ✓ 99% penetration countrywide
  - ✓ More than 50% of South America
  - ✓ Peak Demand comparable to UK

## Economic Development Acceleration Plan – Second Phase (PAC 2)

- Federal plan to invest US\$ 545 billion in the period of 2011-2014
- Electric Power Generation: US\$ 65 billion
- Electric Power Transmission: US\$ 15 billion
- Renewable Fuel projects<sup>(2)</sup>: US\$ 571 million
- Energy Efficiency: R\$ 628 million

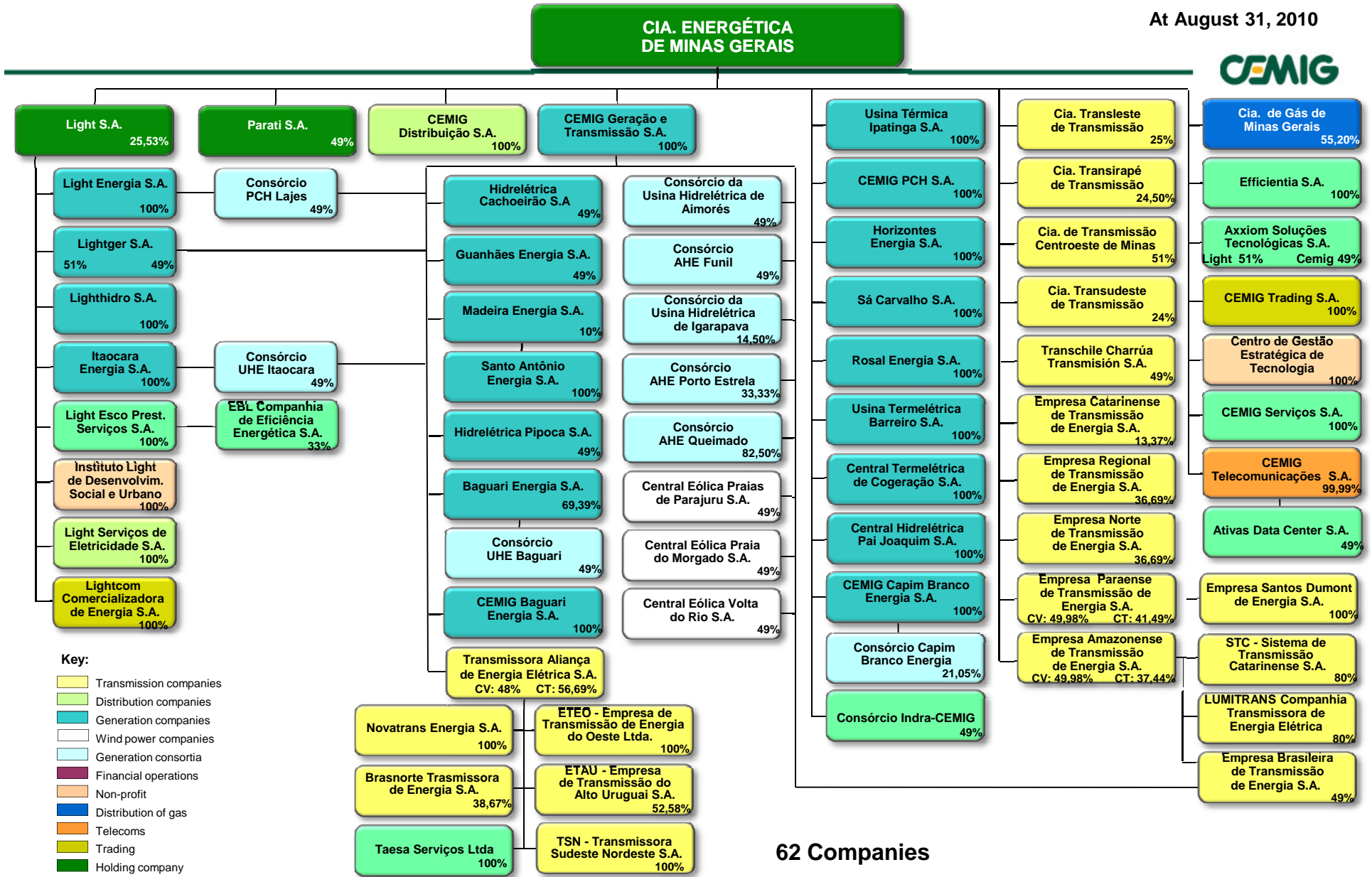
(2) Ethanol, Biodiesel and Alcohol pipeline

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 September 30th, 2010

# COMPANIES AND CONSORTIA OF THE CEMIG GROUP

At August 31, 2010



**Key:**

- Transmission companies
- Distribution companies
- Generation companies
- Wind power companies
- Generation consortia
- Financial operations
- Non-profit
- Distribution of gas
- Telecoms
- Trading
- Holding company
- Services

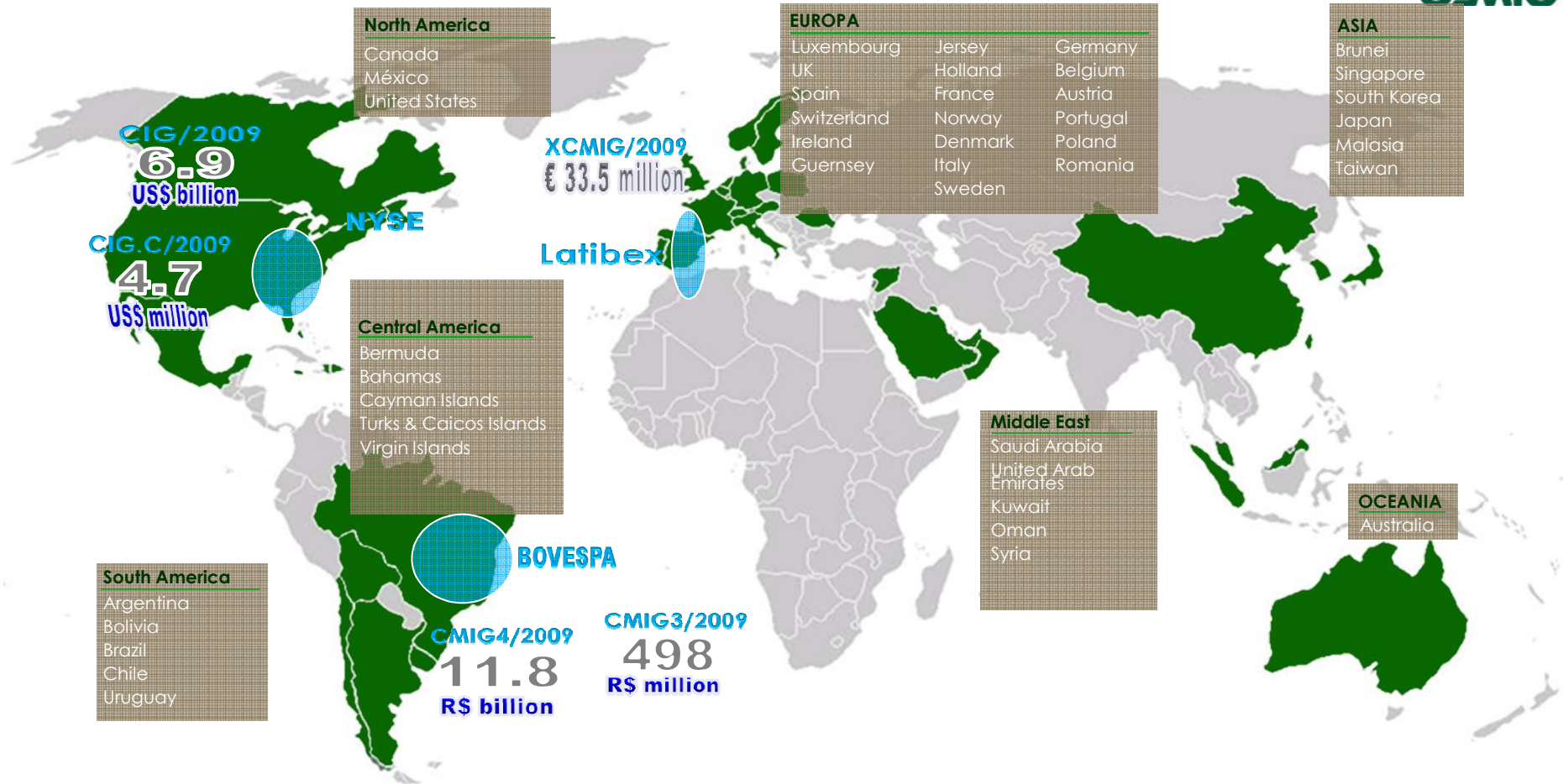
VS = Voting stock TS= Total stock

**62 Companies**

**10 Consortias**



# Strong shareholders base assures liquidity

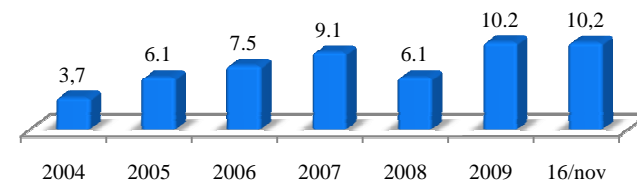


Average Daily Trading Volume – 2010 – up to november 16<sup>th</sup>

**Bovespa:** R\$ 43 million  
**NYSE:** US\$ 33 million

- Our Shares are traded in 3 Stock Exchanges
- 115,000 shareholders over 44 countries

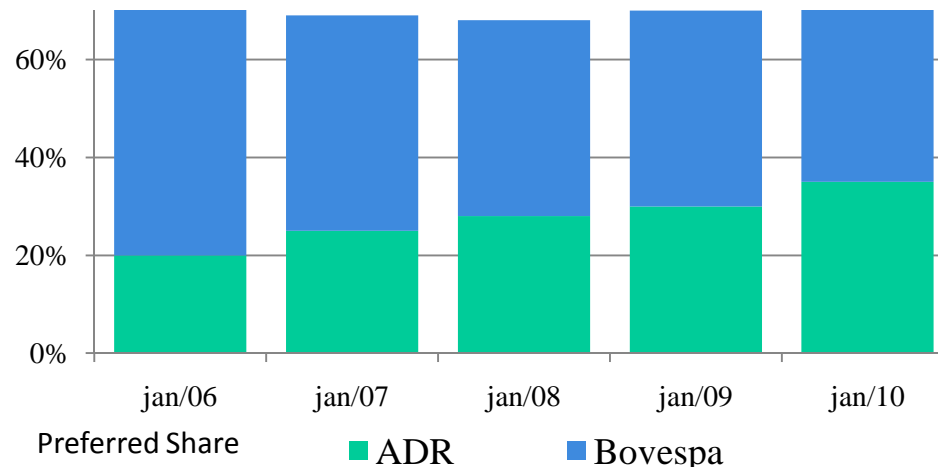
Market Capitalization (US\$Billion)



# Cemig: a global investment option



**Non-Brazilian investors as % of free float\***



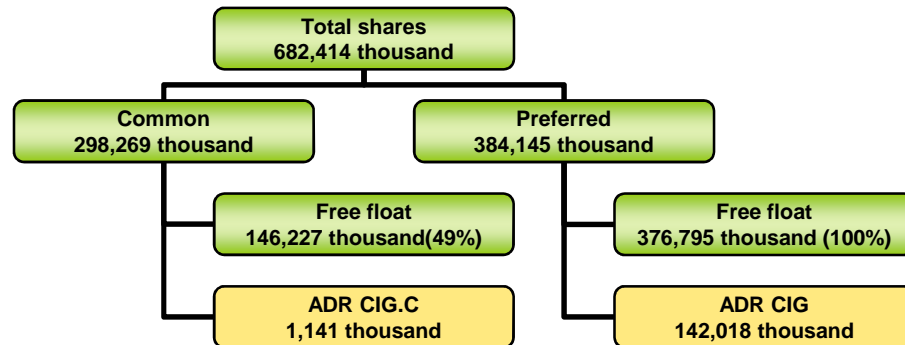
\* Free float = all shares in circulation except those held by the State of Minas Gerais and SEB.

- ✓ The percentage of non-Brazilian investors in Cemig's stockholding base is growing every year.
  - Cemig has shareholders in more than 40 countries.
  - The percentage of investors holding ADRs has increased by more than 50% in 4 years
- ✓ Cemig; one of only 3 Brazilian companies, and the only Latin American utility, in the Global Dow Index.

# The blend of shareholders provides long term perspective



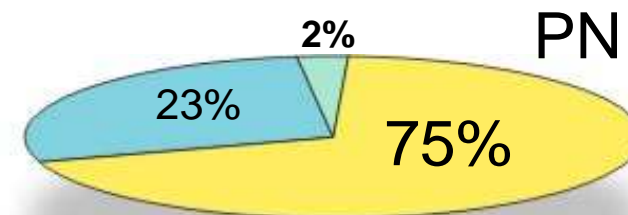
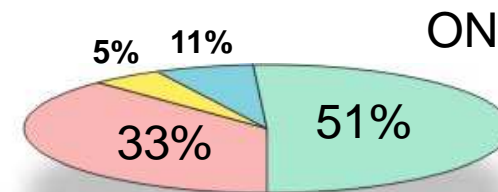
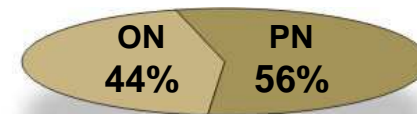
- Our shareholder diversity provides a global business management vision focused on sustainability of the company's activities
- Listed in major stock exchanges
  - **BOVESPA (Brazil)**
  - **NYSE (USA)**
  - **LATIBEX (Spain)**



Share nominal value = R\$5.00

ADR outstanding approximately 20% of total shares and 36.97% of PN shares  
1 ADR = 1 share in Bovespa

Total Shares

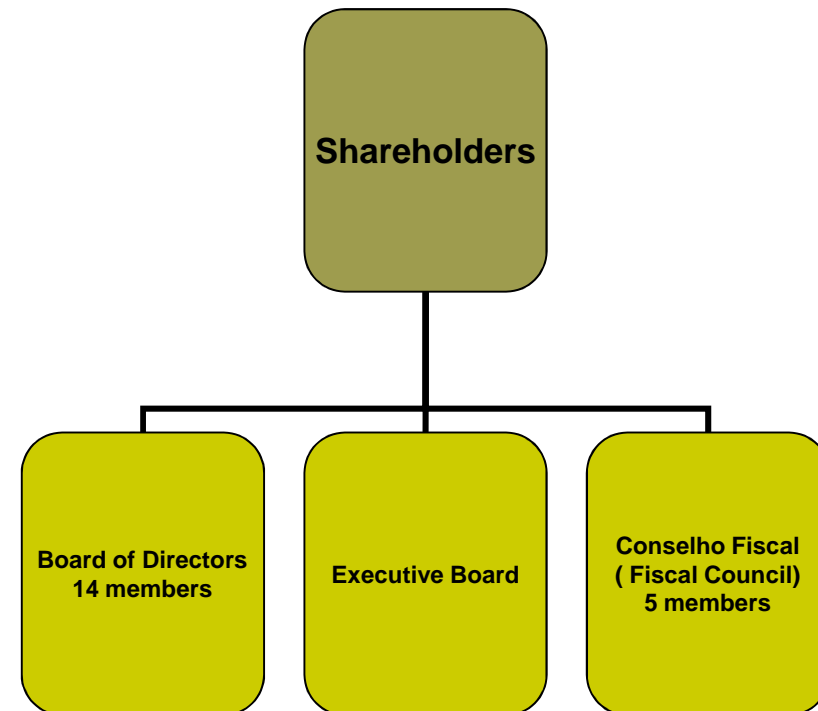


# Corporate Governance: implementation of best practices



## 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

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- 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 **eleventh** 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 **fifth** year in a row.

# Why is Cemig Sustainable?

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1. Financial Strength
2. Strategic Management
3. Commitment to clients
4. Profitable Investments
5. Technological Innovation
6. Commitment to stakeholders
7. Dedication towards the environment
8. Focus on Renewables
9. Care for human capital
10. Social Responsibility



# Global Compact



- In 2009 Cemig joined the Global Compact and published its “Corporate Social Responsibility” handbook.

## The principles of the Global Compact



United Nations Global Compact

1. Businesses should support and respect the protection of internationally proclaimed human rights in their area of influence; and
2. make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. elimination of all forms of forced and compulsory labor;
5. the effective abolition of child labor; and
6. elimination of discrimination in respect of employment and occupation.
7. Businesses are asked to support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

# The Largest Integrated Power Utility in Brazil



**Power Generation**  
6,896 MW of capacity



**Free Customers**  
25% share



**Power Transmission**  
8,768 Km



**Electricity Distribution**  
474,559 Km



**Retail**  
Largest distribution  
company





# The Portfolio: guaranteeing results



Figures for 2009

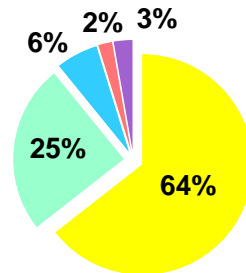
## Power Generation

- 18 companies
- Net revenue: R\$ 3.0 billion
- Net income R\$ 1.3 billion
  - Ebitda: R\$ 2.1 billion
- Third largest group in Brazil
- Electricity sold: 34,268 GWh

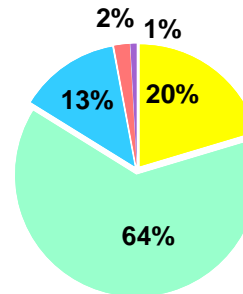
## Power Transmission

- 12 companies
- Net revenue :R\$ 735 million
- Net income: R\$ 271 million
  - Ebitda: R\$ 517 million
- Third largest group in Brazil

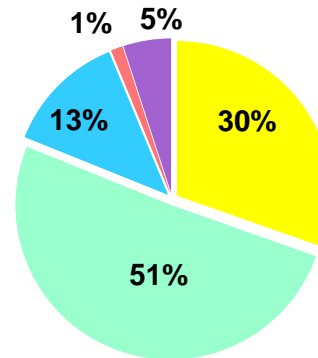
## Net revenue



## Net income



## Ebitda



## Others

- 5 companies
- Net revenue : R\$ 332 million
- Net income: R\$ 18 million
- Ebitda: R\$ 204 million

## Holding company

- Net revenue : R\$ 345,000
- Net income: (R\$ 185) million
- Ebitda: (R\$ 44) million

## Electricity Distribution

- 2 companies
- Net revenue: R\$ 7.8 billion
- Net income: R\$ 417 million
  - Ebitda: R\$ 1.2 billion
- Largest in Brazil (by energy transported, number of consumers, length of network)
  - Total energy transported: 5,905 GWh

## Natural Gas Distribution

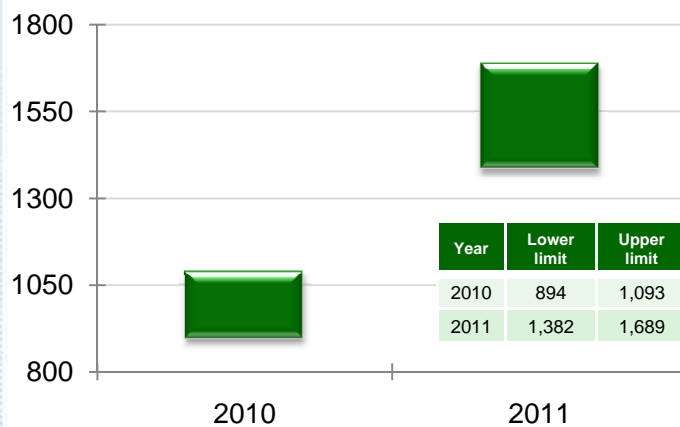
- 1 company
- Net revenue : R\$ 242 million
- Net income: R\$ 42 million
  - Ebitda: R\$ 50 million
- Fifth largest sales volume in Brazil
- Sales: 1.5 million m<sup>3</sup> / day

Intercompany transactions total R\$ 329 million

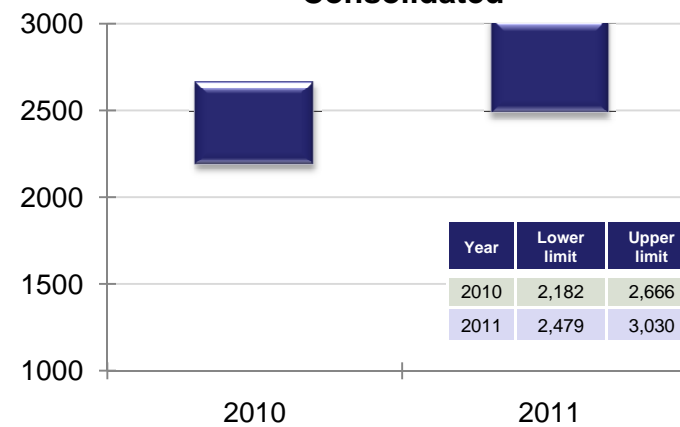
# EBITDA Guidance 2010-2014



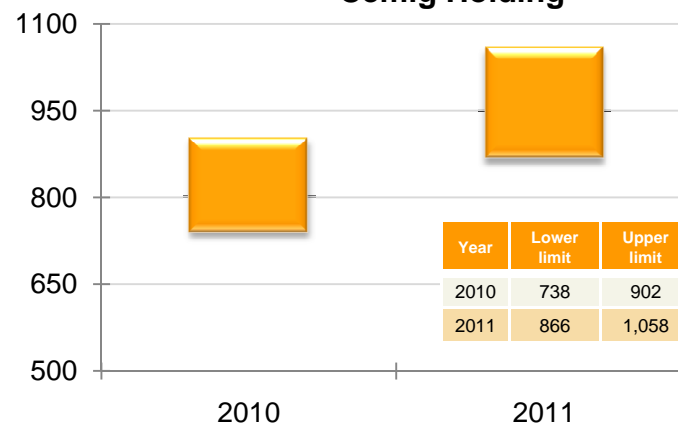
### Cemig Distribuição



### Cemig GT - Consolidated



### Participation in other companies - Cemig Holding



Million R\$ in constant prices as of June 2010

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



## Net Income per Company

Company	Up to Sep/10	ΔV%	Up to Sep/09	ΔV%
Cemig Geração/Transmissão (*)	737	58%	1,003	70%
Cemig Distribuição	170	13%	279	20%
Light	74	6%	50	4%
Gasmig	37	3%	30	2%
TAESA	94	7%	-	0%
TBE	78	6%	52	4%
Others	73	6%	13	1%
<b>Cemig Consolidated</b>	<b>1,263</b>	<b>100%</b>	<b>1,427</b>	<b>100%</b>

2009	ΔV%	2008	ΔV%
1,297	70%	986	52%
338	18%	709	38%
78	4%	129	7%
42	2%	47	2%
12	1%	0	0%
79	4%	36	2%
15	1%	-20	-1%
<b>1,861</b>	<b>100%</b>	<b>1,887</b>	<b>100%</b>

## Ebitda per Company

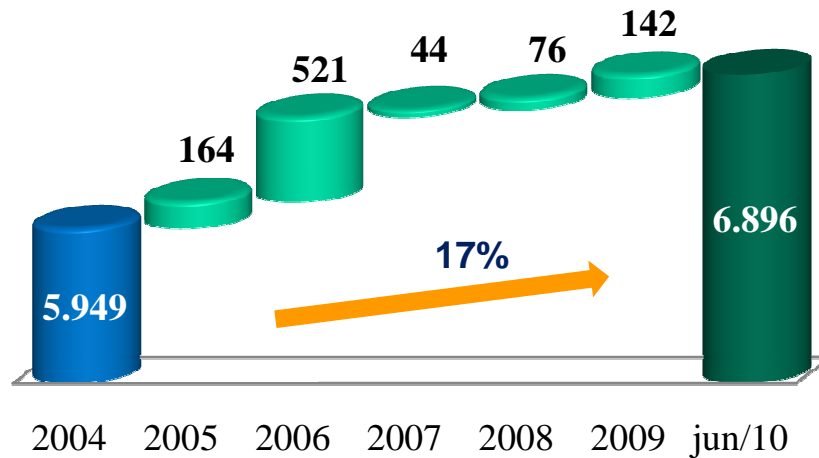
Company	Up to Sep/10	ΔV%	Up to Sep/09	ΔV%
Cemig Geração/Transmissão(*)	1,631	54%	1,782	62%
Cemig Distribuição	685	23%	632	22%
Light	195	6%	206	7%
Gasmig	54	2%	35	1%
TAESA	218	7%	-	0%
TBE	129	4%	81	3%
Others	99	3%	153	5%
<b>Cemig Consolidated</b>	<b>3,011</b>	<b>100%</b>	<b>2,889</b>	<b>100%</b>

2009	ΔV%	2008	ΔV%
2,402	59%	1,924	47%
946	23%	1606	39%
296	7%	329	8%
50	1%	50	1%
29	1%	0	0%
123	3%	74	2%
193	5%	116	3%
<b>4,039</b>	<b>100%</b>	<b>4,099</b>	<b>100%</b>

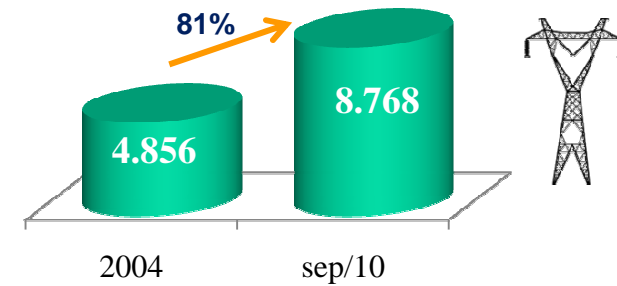
# Strategic Plan Results



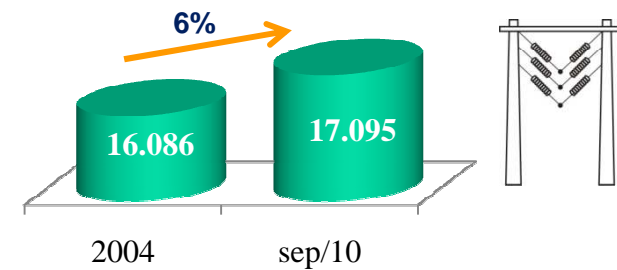
## Power Generation



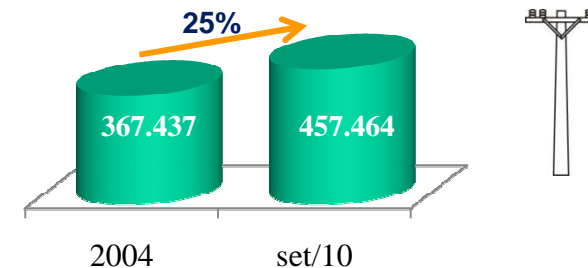
## Power Transmission lines - km



## Sub-transmission lines -km

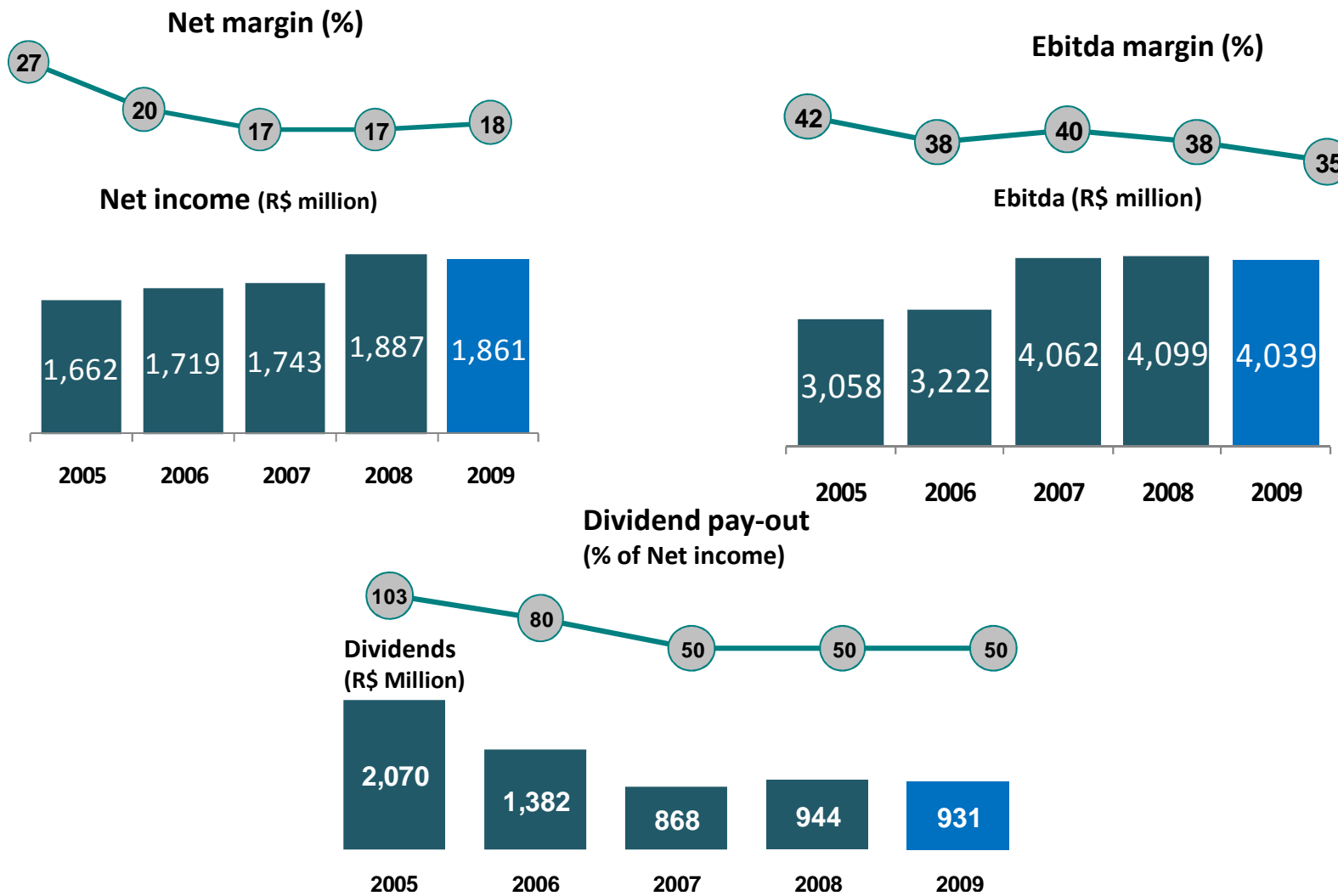


## Electricity Distribution lines -km



✓ Our power matrix ensures **higher operational margins**

# Strategic Plan Results



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

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- ❖ 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

# Financial Highlights



Income Statement – consolidated			
(R\$ million)	2010*	2009*	Change %
Net Revenue	9,047	8,323	9%
EBITDA	3,011	2,888	4.3%
EBITDA Margin %	33	35	-4%
Net Income	1,263	1,427	-11%
Net Margin %	14	17	-19%

Balance Sheet – consolidated		
(R\$ million)	2010*	2009*
Cash and Cash Equivalents	4,178	4,425
Total Assets	31,761	28,866
Total Financial Debt	12,783	11,292
Shareholders' Equity	11,570	10,276
Net Debt (1)	8,605	6,868
Net debt / (stockholders' equity + net debt)	42.7%	40.0%

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

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

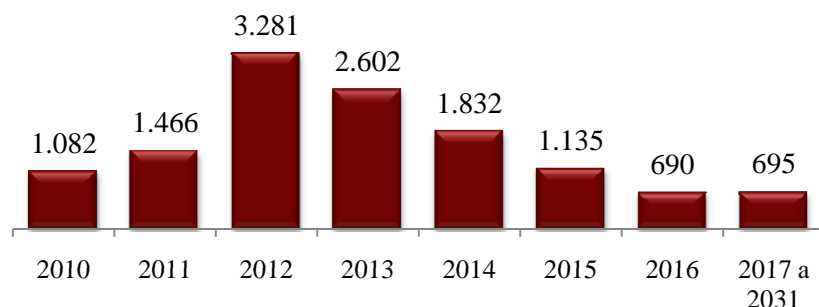
(\*)Up to September

# Debt profile lengthened with reduction of costs



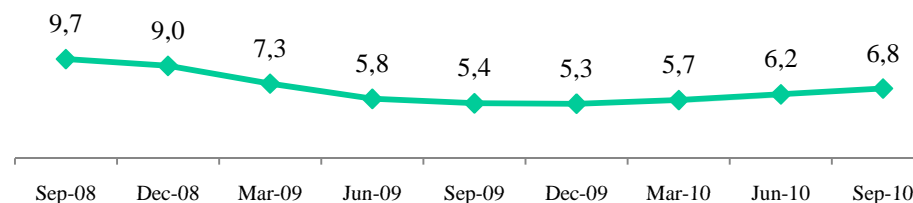
## Maturities timetable (R\$ Million)

Average tenor: 3.6 years



✓ Emission of debentures has promoted the lengthened of our debt from 3 to 3.9 years

## Average cost of debt (real terms)



✓ Average cost of debt: 6.8% p.a. at constant September 2010 prices, including stockholdings

✓ Cost of debt shows excellent credit quality

✓ Appropriate net leverage, combined with strong cash flow, ensures financial solidity

## Consolidated debt, September 30, 2010 (R\$ Million)

	CEMIG Consolidated		CEMIG GT		CEMIG D	
Total debt	12,784		7,559		3,058	
Debt in foreign currency	206	2%	4	0.1%	131	4%
Net debt (1)	8,605		5,142		2,299	
EBITDA / interest	3.99		3.88		3.82	
Net debt / EBITDA	2.07		2.19		2.30	
Net debt / (shareholders' Equity + Net debt)	42.7%		54.8%		46.0%	

(1) Net debt = total debt less (cash and cash equivalents).

(\*) Last 12 months

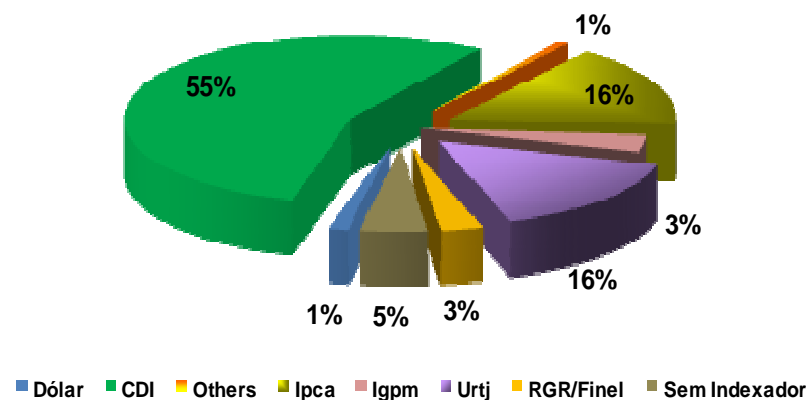


# Financial discipline to lower debt cost and reduce FX exposure



## Main indexors

September 30, 2010



## Main Creditors (R\$ million)

Debentures Holders	R\$ 4,913	38%
Banco do Brasil	R\$ 3,116	24%
BNDES	R\$ 1,710	13%
Banco Itaú BBA(*)	R\$ 952	8%
Bradesco(*)	R\$ 662	5%
Unibanco	R\$ 378	3%
Eletrobrás	R\$ 377	3%
C.E.F	R\$ 230	2%
Votorantim	R\$ 134	1%

(\*) – Includes FIDC

\* URTJ - Reference Unit Interest Rate.

# Superior credit capacity recognized by the major rating agencies



AA(bra) Cemig H, Cemig GT and Cemig D National scale

Investment Grade									Speculative Grade										
AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	CC	C	RD	D

↑



**Investment Grade**

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

Investment Grade									Speculative Grade											
Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C

↑ ↑ ↑



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

Investment Grade									Speculative Grade										
AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	C a	CCC		

↑ ↑ ↑

*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, World Bank, IDB
- Long term
- Attractive costs
- Tax breaks on remittance of interests

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

# Agenda

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- Background
- Strategy Overview**
- Business Outlook
- Acquisitions
- Results
- Market Recognition
- Regulatory Framework
- Others

# Long Term Strategic Plan addresses sustainable growth...



- 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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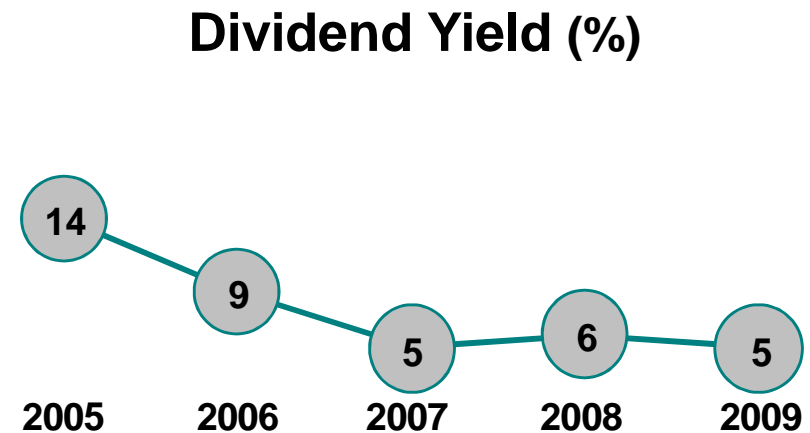
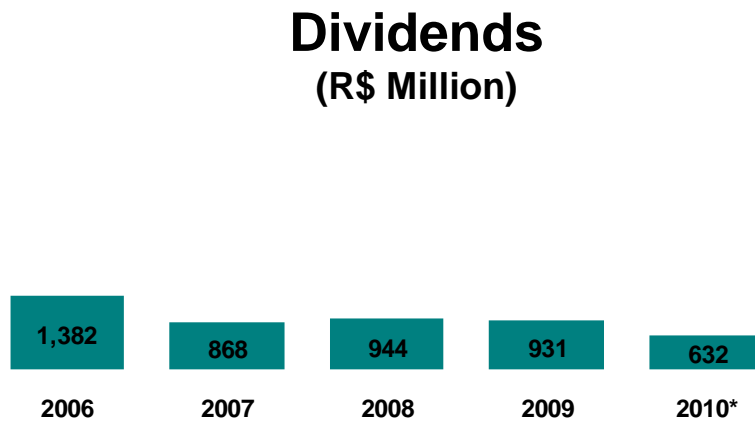


- **Pillars of our activity:**
  - Focus on electricity sector and related activities
  - Profitability: return compatible with each business
  - Partnerships with strategic investors: corporate governance
- **Growth through new projects, long-term vision**
  - Opportunities in electricity generation 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.

# Strategic Plan Results: Dividends

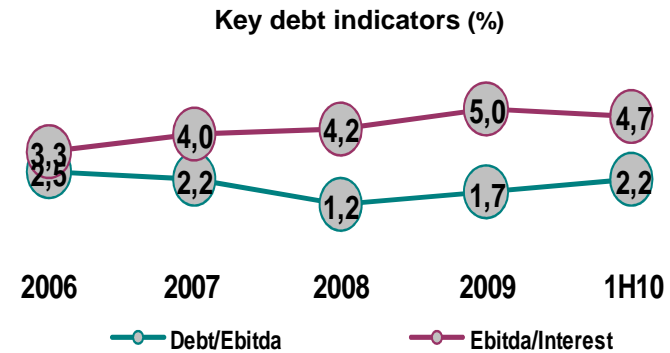
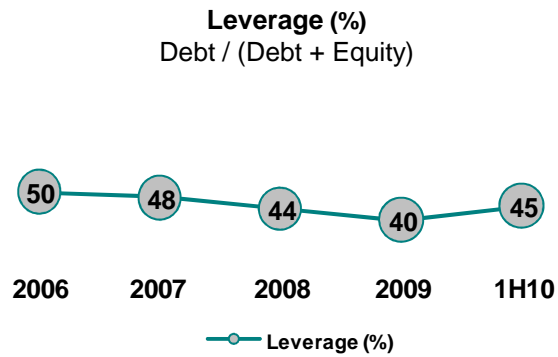


- ✓ Approved proposal for 2009 Net Income distribution:
  - Dividends of R\$ 931 million
    - Dividends per share: R\$1.50
  - Stock Dividend of 10%

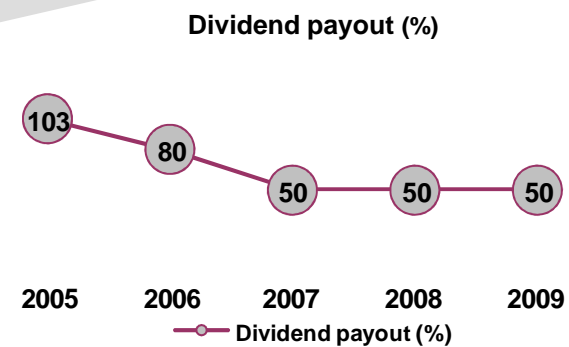
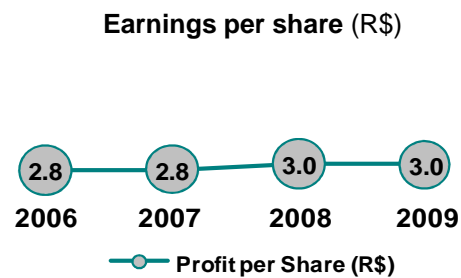


\* Estimated only, based on 50% of net income (up to September)

# Continuous improvement of our KPI



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





# Agenda

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- Background
- Strategy Overview
- Business Outlook**
- Acquisitions
- Results
- Market Recognition
- Regulatory Framework
- Others

# 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



## Installed Capacity (September/10)

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%)	218	83
Others	901	701
<b>Total hydro-electric</b>	<b>6,661</b>	<b>4,135</b>
<b>Total thermal</b>	<b>185</b>	<b>83</b>
<b>Wind</b>	<b>50</b>	<b>22</b>
<b>Total</b>	<b>6,896</b>	<b>4,240</b>

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

# Power Generation: 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



### ✓ Installation of the Cear Wind Farm system

- Parajuru, Morgado and Volta do Rio
- 100.00 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: 6,896 MW**

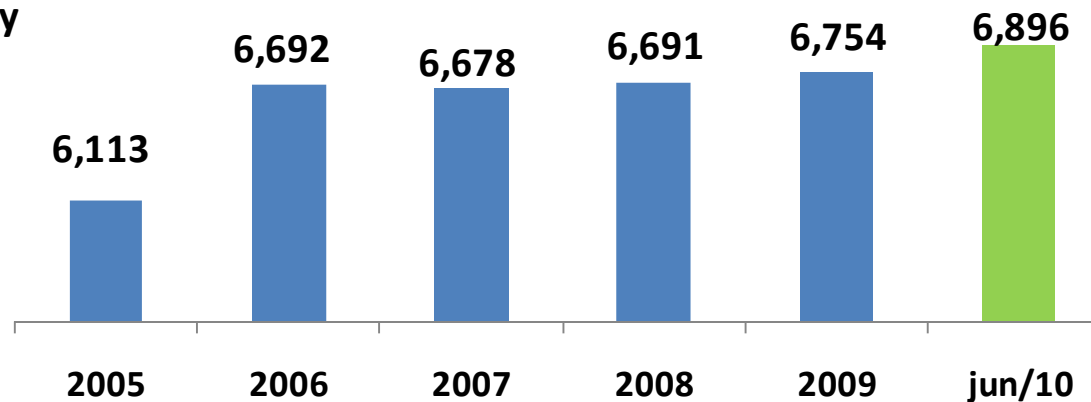
# Power Generation: Expansion



- Acquisitions:
  - 3 wind farms – from Energimp S.A.: R\$ 223 million (49%).
- New projects

Plant	Installed capacity (MW)	Cemig stake (%)	Start up date
Cachoeirão Small Hydro Plant	27	49%	<b>2009</b>
Baguari Hydro Plant	140	34%	<b>2009</b>
Wind farms	100	49%	<b>2009/2010</b>
Small Hydro Plants	107	49%	2010/2011
Santo Antônio	3,150	10%	2012
Itaocara Hydro Plant*	194	49%	2013

Installed capacity (MW)



\*In partnership with Light

## Projects under study

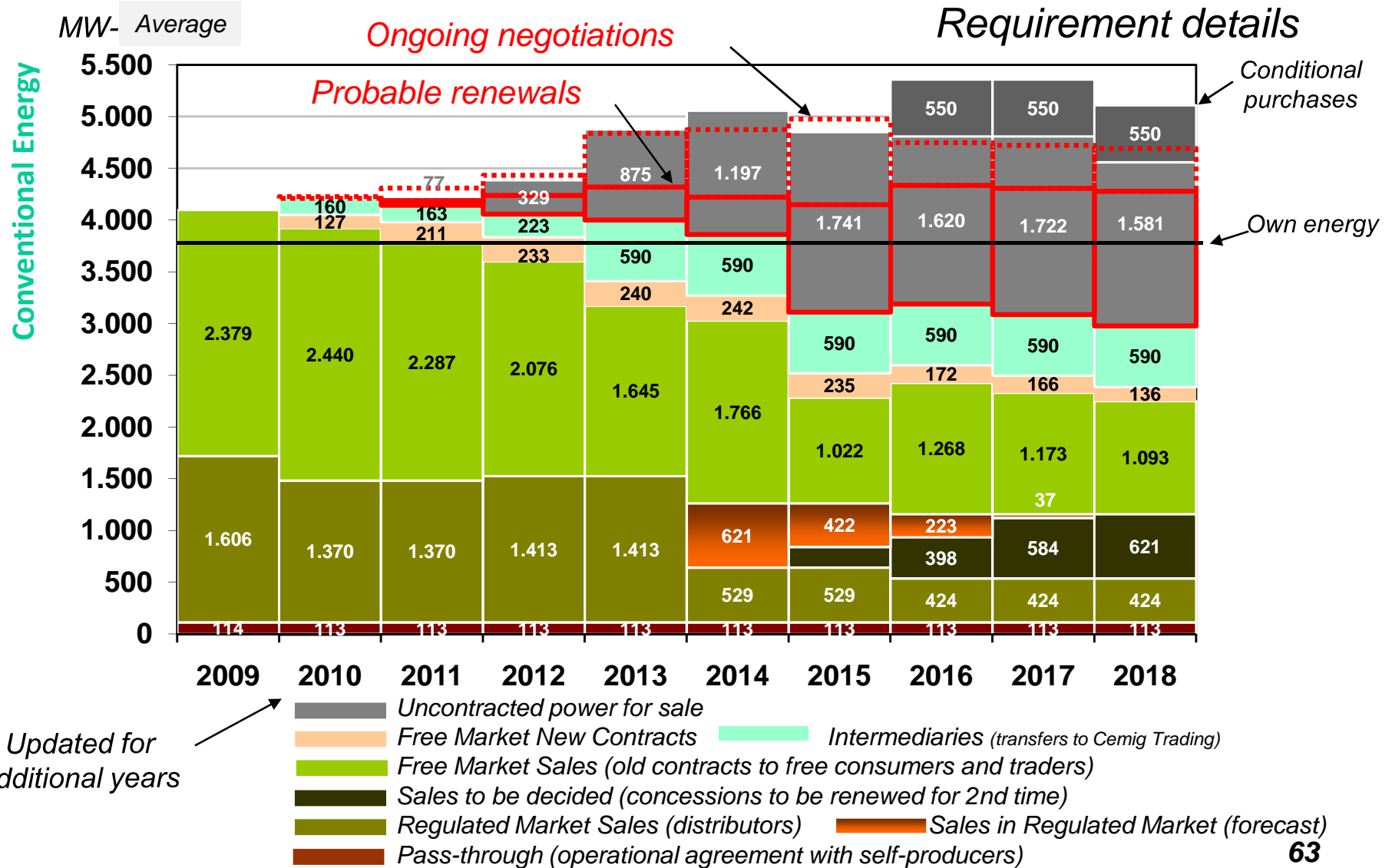


Types of project	Number		Installed capacity	
	Brazil		Minas Gerais	
Hydroelectric plants	23	5,706 MW	11	1,181 MW
Small Hydro Plants	7	106 MW	6	89 MW
Thermal plants (*)	3	513 MW	1	273 MW
Wind farms	4	802 MW	1	400 MW
Co-generation, biomass	7	401 MW	1	267 MW
<b>Total</b>	<b>44</b>	<b>7,528 MW</b>	<b>23</b>	<b>2,210 MW</b>

Cemig is also evaluating feasibility projects related to the use of solid waste and solar plants.

(\*) Includes Igarapé's conversion of 250 MW into natural gas

# Cemig GT - Balance of supply and demand



# CEMIG GT: Power generation prices guidance



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



\*Constant base – June 2010

\*\*Without secondary power

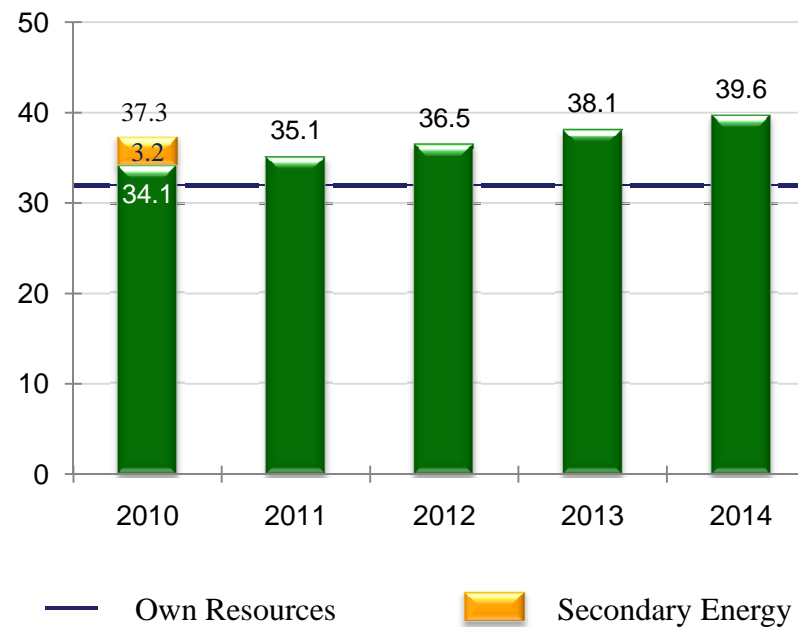
- ✓ Settlement of a large amount of secondary power at spot prices (PLD) in 2010;
  - If excluded, the average price would be of approximately 100.00 R\$/MWh
- ✓ Expected contract renewals and new contracts were secured at higher than current prices, but below those considered in 2009's estimates
  - The strongest effects are seen in first years.
- ✓ Indexed contracts to US dollars and to the variation of the power share of the Tariff Readjustment Index of the local distributor were updated at lower values than those estimated in 2009
- ✓ Renegotiation of existing contracts
  - Price hikes to maintain NPV
  - Transfer of contracts (linked to power purchases), those with higher prices, to Cemig Trading
  - Term extension, including new sales, following the future price trends



# Power Generation Sales Volume Estimates:CEMIG GT



MARKET - TWh

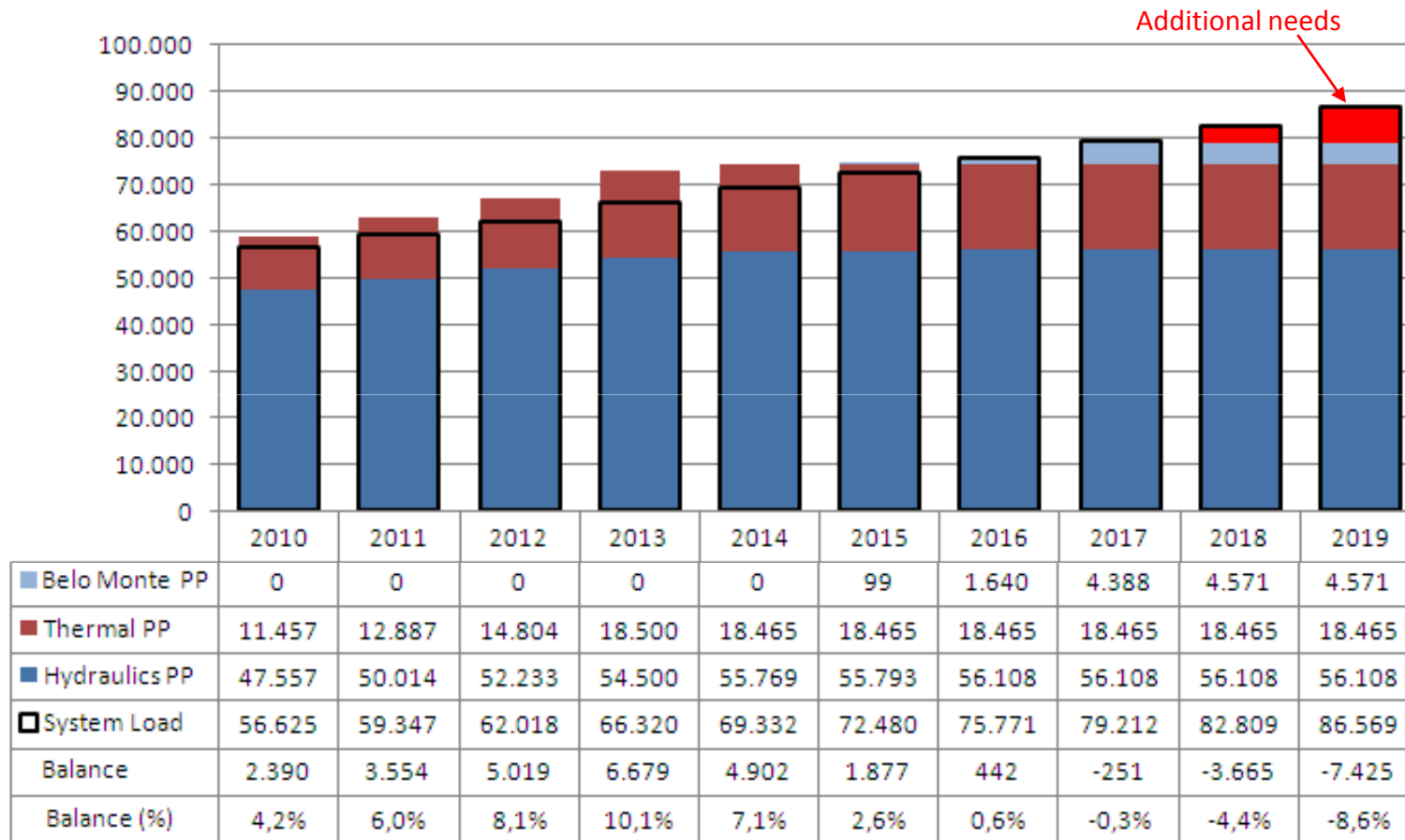


- ✓ 2010: Participation in the Secondary Energy Market - generation is above the physical guarantees as a result of the favorable hydro scenario, settled at spot prices (PLD).
- ✓ After 2011: Power Purchases, excluding secondary energy.

# Brazilian National Grid



## Structural Energy Balance (Average MW)

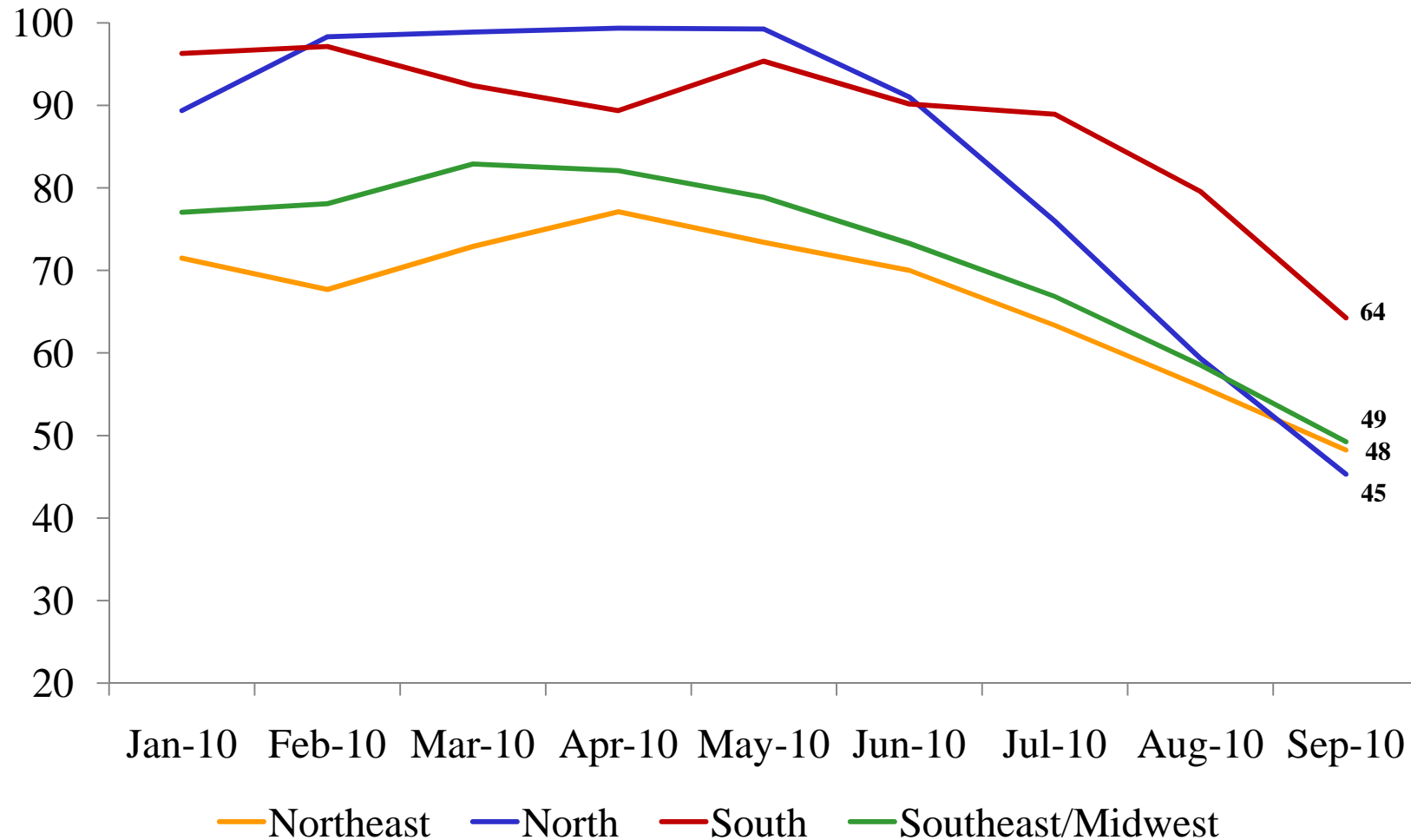


Source: Sept. 2010 ONS Monthly Operational Program (PMO) and analysis by Cemig, considering a GDP growth of 5.1% from 2010 to 2019.

# Level of reservoirs (%)\*



## Level of reservoirs by region (%)

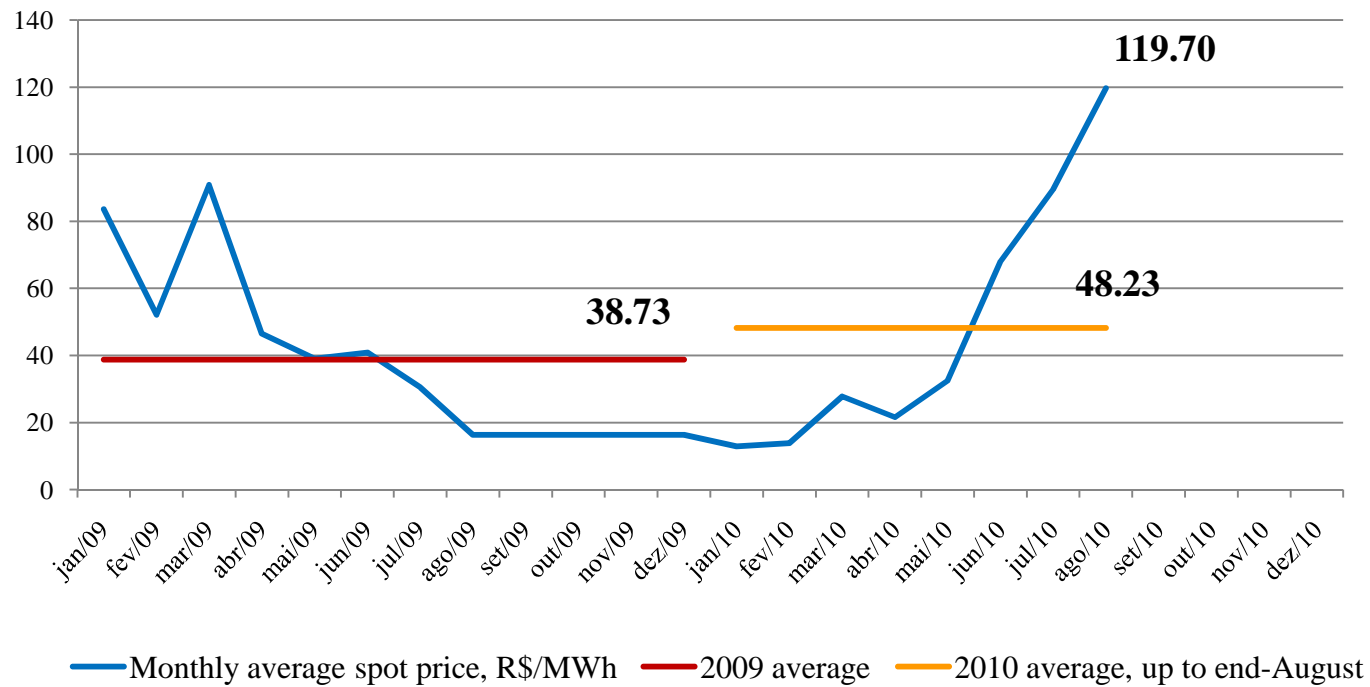


\*Source: ONS

# Spot Market: 2009/2010



## Brazil: electricity spot price - monthly average (R\$/MWh)



\*Source: CCEE

# Power Generation Auctions:2010



<ul style="list-style-type: none"> <li>• 2010 Special Power Auctions: Belo Monte             <ul style="list-style-type: none"> <li>- 11,233 MW</li> <li>- 30 years long contracts</li> <li>- Price of R\$ 77.97/MWh</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 2010 New Power Auctions:             <ul style="list-style-type: none"> <li>- A-3: August 26<sup>th</sup> : 714.3 Avg MW                 <ul style="list-style-type: none"> <li>- Wind Power (50) and biomass cogeneration (1) power plants: 662.2 Avg MW                     <ul style="list-style-type: none"> <li>- Average Price: R\$134.23/MWh</li> </ul> </li> <li>- Small Hydro Power Plant (PCH): 48.1 Avg MW, sold by 5 PCHs                     <ul style="list-style-type: none"> <li>- Average Price: R\$146.99/MWh</li> </ul> </li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• 2010 New Power Auctions:             <ul style="list-style-type: none"> <li>- A-5: July 30<sup>th</sup>, 327 avg MW, average price of R\$ 99.98/MWh                 <ul style="list-style-type: none"> <li>- Exclusive for hydro power capacity</li> <li>- Garibaldi power plant (SC): 178 MW of installed capacity and price of R\$ 108/MWh</li> <li>- Colíder power plant (MT): 300 MW of installed capacity and price of R\$ 103/MWh</li> <li>- Ferreira Gomes power plant (AP): 252 MW of installed capacity and price of R\$ 70/MWh</li> <li>- Santo Antônio do Jari power plant (AP/PA): 300 MW of installed capacity and reference price of R\$ 100/ MWh for 10% of the capacity (concession has already been awarded)</li> <li>- Small hydro power plants price of R\$ 154/MWh</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 2010: Reserve Power Auction             <ul style="list-style-type: none"> <li>- August 26<sup>th</sup> : 388.7 Avg MW with an average price of R\$125.07/ MWh                 <ul style="list-style-type: none"> <li>- Wind Power: R\$122.69/MWh, 20 years long contracts</li> <li>- Biomass Cogeneration: R\$134.47/MWh, 15 years long contracts</li> <li>- Small Hydro Power Plant (PCH): R\$ 130.73 /MWh, 30 years long contracts</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• 2010 New Power Auctions:             <ul style="list-style-type: none"> <li>- A-1: December, 10<sup>th</sup></li> <li>- Auction Price :                 <ul style="list-style-type: none"> <li>- Hydro – R\$105/MWh</li> <li>- Thermo – R\$115/MWh</li> </ul> </li> </ul> </li> </ul>	

# 2010 New Power Auctions: A-5 Green Fields



- ✓ Scheduled for December 17<sup>th</sup>

Power Plant	State	Installed Capacity - MW
Teles Pires	MT	1,820
Sinop	MT	400
Ribeiro Gonçalves	PI	113
Castelhano	PI	64
Estreito Parnaíba	PI	56
Cachoeira	PI	63
Uruçui	MA	134
Riacho Seco	PE	276
Total		2,926

- ✓ 17 small hydro power plants were also registered for the A-5 power auction, totaling 247 MW of installed capacity
- ✓ The auction still depends on environmental licenses for each project

# Business Opportunities: Small Hydros Program



➤ **Short-term supply alternative**

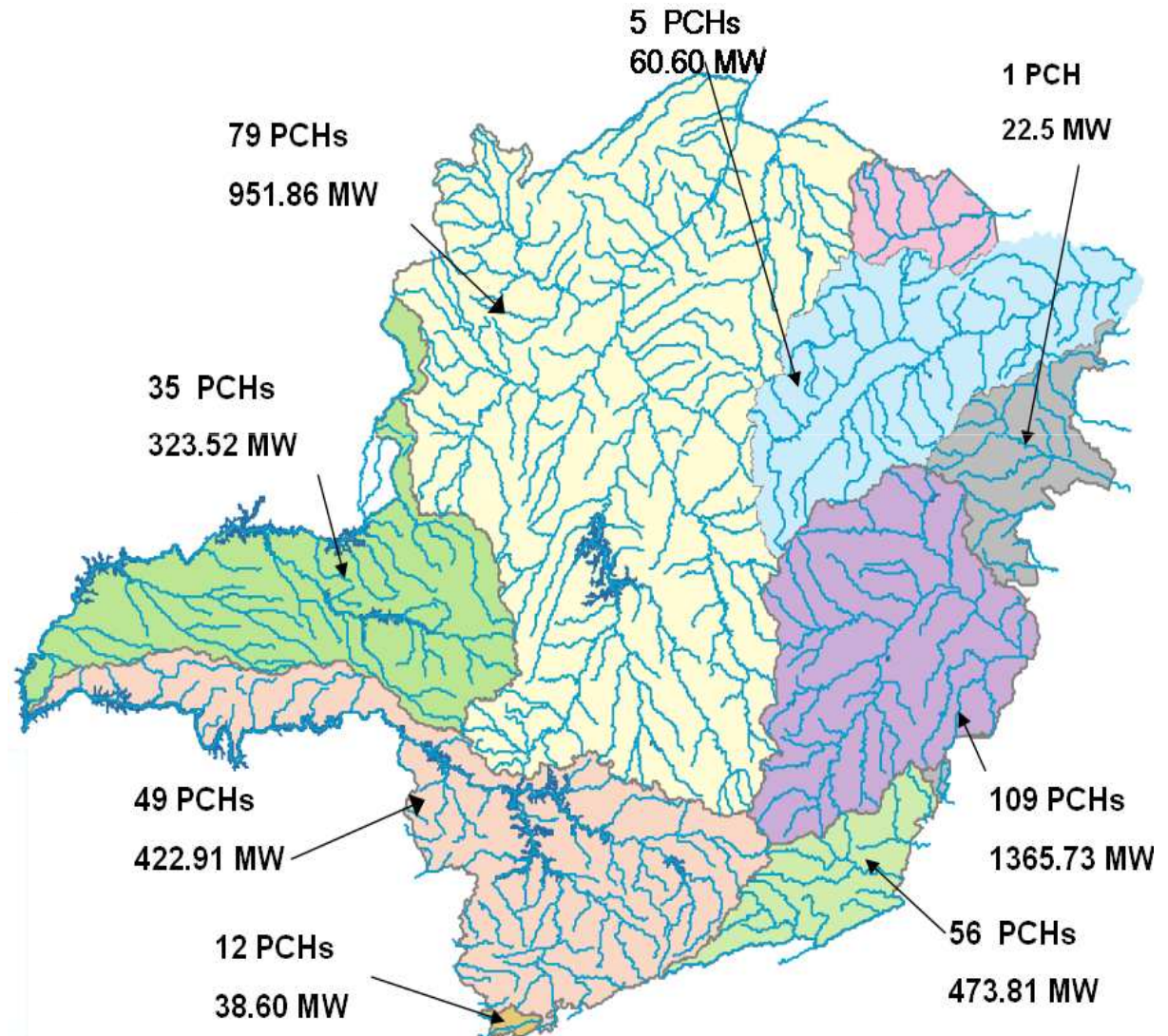
➤ **Successful funding format:**

- 30% Equity
  - Cemig 49%
  - Private Investor 51%
- 70% Debt
  - BNDES

➤ **Current status:**

- Cachoeirão Small Hydro Power Plant (27 MW) in commercial operation;
- Pipoca Small Hydro Power Plant (20 MW) estimated to start operation in the 2<sup>nd</sup> half of 2010;
- 04 Small Hydro Power Plants (44 MW) construction is estimated to begin in 2011 (Fortuna II, Dores de Guanhões, Senhora do Porto e Jacaré);
- 05 Small Hydro Power Plants (77 MW) in evaluation.

PCH = Small Hydro Power Plant



# Business Opportunities: biomass cogeneration



## Sugar and ethanol potencial in Minas gerais

Plants	Quantity*	Generatn. (MWa**)	Surplus (MWa**)
Existing	12	750	300
Expected	22	2,416	1,631
<b>Total</b>	<b>34</b>	<b>3,166</b>	<b>1,931</b>

\* Just includes plants available to generate and sell power

\*\*Average generation in 6 months of the year

- ✓ 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
- ✓ Solutions offered by Cemig through its subsidiaries:
  - Connection of Plants to the national electricity grid.
  - Sale of excess electricity generated not consumed by the Plant itself.
  - Formation of corporate partnerships, creating Special-purpose Companies, to implement or retrofit thermal plants.



# Brazilian hydroelectric power generation potential

Situation as of June 2009, MW



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

State	Operation & Construction	Estimated	Overall total
AC	-	1,058	1,058
AM	250	19,750	20,000
AP	68	1,739	1,807
PA	8,455	39,631	48,086
RO	397	12,492	12,889
RR	5	5,257	5,262
TO	2,324	4,350	6,674
AL	1,582	2,687	4,269
BA	6,883	5,148	12,031
CE	4	21	25
MA	664	1,558	2,222
PB	4	7	11
PE	746	820	1,566
PI	119	407	526
RN	-	2	2
SE	1,581	2,665	4,246
ES	457	922	1,379
MG	12,123	12,099	24,222
RJ	1,360	1,880	3,240
SP	10,978	4,183	15,161
DF	30	-	30
GO	5,871	6,218	12,089
MS	3,549	2,426	5,975
MT	1,826	15,882	17,708
PR	15,557	8,628	24,185
RS	4,221	6,770	10,991
SC	3,617	3,315	6,932
<b>Total</b>	<b>82,671</b>	<b>159,915</b>	<b>242,586</b>

Source: Eletrobrás (SIPOT).

# Tapajós Complex



- ✓ Location: Tapajós Basin, PARA State
- ✓ 5 Hydro Power Plants
- ✓ Installed Capacity: 10,682 MW
- ✓ Assured energy: 4,581 average MW (expected)



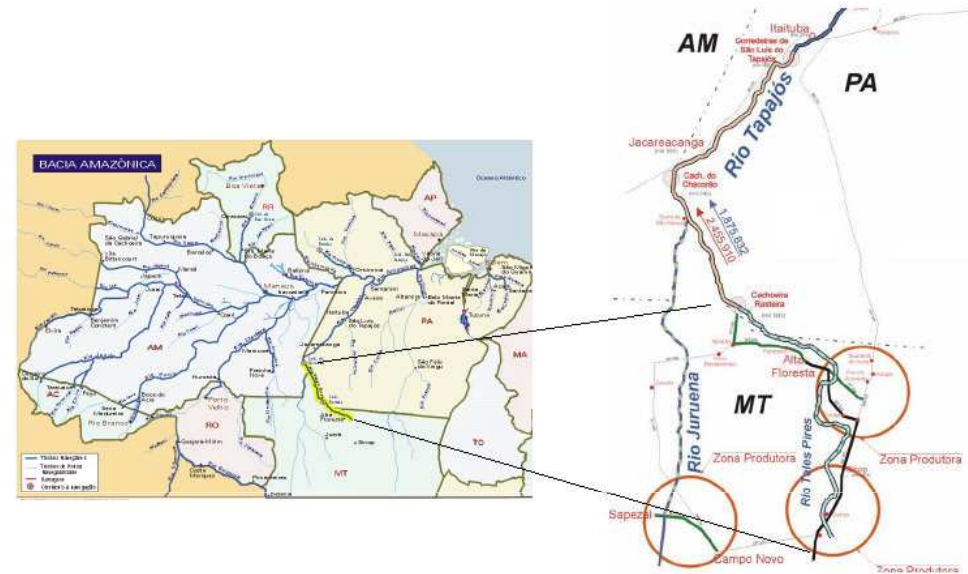
Power Plant	River	Installed Capacity - MW	Start-up Date
São Luiz do Tapajós	Tapajós	6,133	2016
Cachoeira do Caí	Tapajós	802	2019
Jatobá	Jamanxim	2,338	2019
Jamanxim	Jamanxim	881	2019
Cachoeira dos Patos	Jamanxim	528	2019
Total		10,682	

← First to be auctioned (expected for 4Q2010)

# Teles Pires Complex



- ✓ Location: Teles Pires Basin, Mato Grosso State
- ✓ 3 Hydro Power Plants
- ✓ Installed Capacity: 3,027 MW



Power Plant	River	Installed Capacity - MW	Start-up Date
Teles Pires	Teles Pires	1,820	2015
São Manuel	Teles Pires	746	2015
Sinop	Teles Pires	461	2015
Total		3,027	

← First to be auctioned (expected for 4Q2010)

# 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% FIP (Investment Fund) Amazônia Energia
  - 18.6% Odebrecht
  - 12.4% Andrade Gutierrez
- Start-up schedule:
  - 72 MW in 2011; 1,074 MW in 2012; 858 MW in 2013; 358 MW in 2014 and 788 MW in 2015
- Construction on schedule

# 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
- EPC Group
  - Construction leaders:
    - Norberto Odebrecht and Andrade Gutierrez
  - Manufacturers of rotors and generators:
    - Alstom, VA Tech Hydro and Voith

# Wind power potential in Minas Gerais



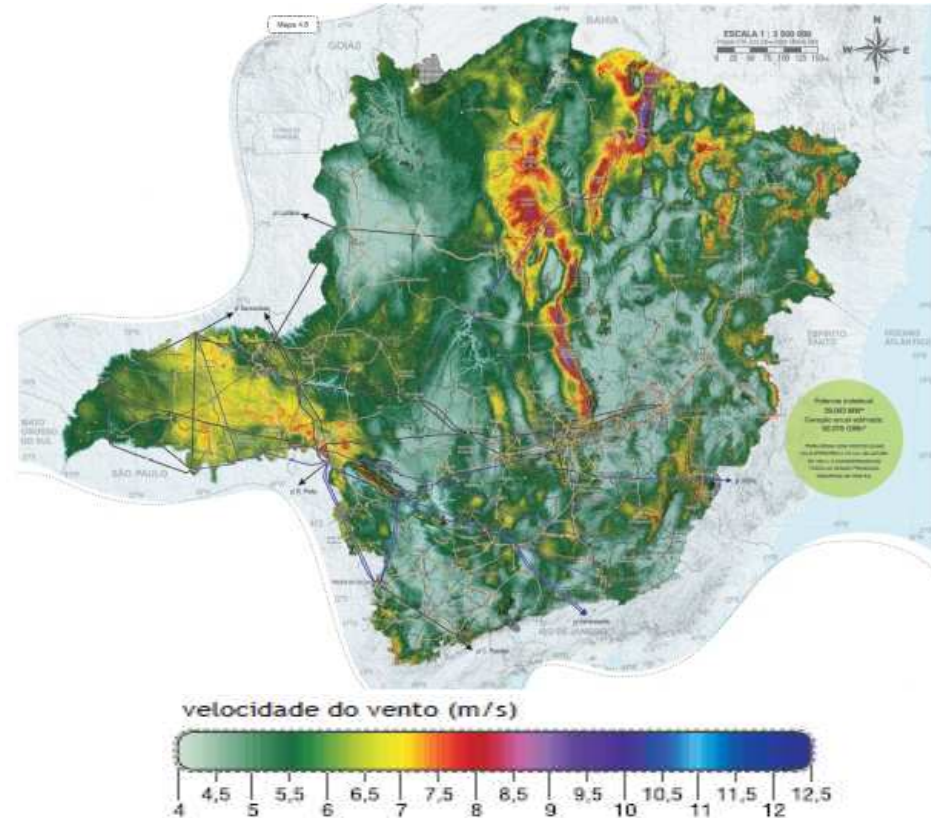
Cemig is one of the pioneer companies in terms of wind generation in Brazil through the *Morro do Camelinho* plant, which was connected to the grid in 1992.

## Wind power map of Brazil:

Brazil has a theoretical wind power generation potential of 143.5 GW, estimated at a height of 50 meters<sup>(1)</sup>. This is more than the total volume of generation capacity currently installed in the country of 108.4 GW<sup>(2)</sup>. Wind power currently supplies 0.71% of this total, or 765.5MW<sup>(2)</sup>.

## Wind power map of Minas Gerais:

The Wind Atlas of Minas Gerais indicates wind potential of 39 GW, for a height of 100 meters<sup>(3)</sup>. This is 2.7 times the output of the Itaipu Plant, or 3.5 times more than Cemig's Belo Monte Plant.



Height	Plant potential
50 m	10.6 GW
75 m	24.7 GW
100 m	39.0 GW

(1) Source: Atlas of Brazilian Wind Potential.

([www.cresesb.cepel.br/atlas\\_eolico\\_brasil/atlas.htm](http://www.cresesb.cepel.br/atlas_eolico_brasil/atlas.htm))

(2) Source: Aneel

(<http://www.aneel.gov.br/aplicacoes/capacidadebrasil/capacidadebrasil.asp>)

(3) Source: Wind Atlas Minas Gerais.

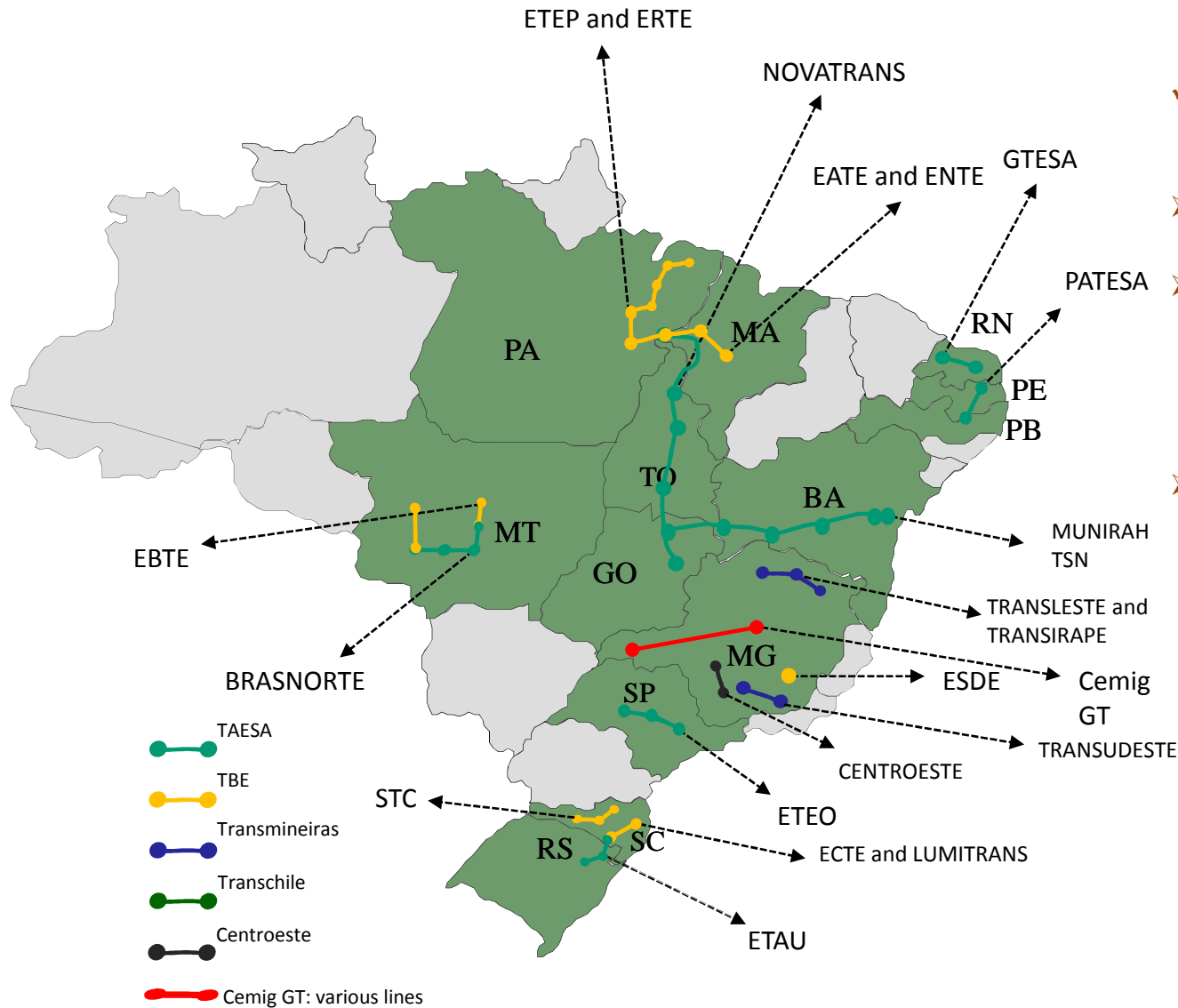
# Power Transmission Capacity (Km)



	2005	2006	2007	2008	2009	Sep/10
525-Kv lines	0	0	0	51	77	101
500-kV lines	2,165	2,592	2,488	2,788	3,594	4,421
345-kV lines	1,976	1,969	2,001	2,001	2,167	2,358
230-kV lines	751	803	824	915	1,668	1,888
Total	4,892	5,364	5,313	5,755	7,506	8,768

- Charrúa – Nueva Temuco transmission line start-up in Jan. 2010:
  - 220 kV, 205 km
- Cemig stands for 10% of Brazil's market

# Transmission: Present all over Brazil



- ✓ Cemig is now Brazil's third largest transmission group:
- Total lines: 8,768 Km
- Consolidated Permitted Annual Revenue (RAP): R\$1.2 billion, including Transchile
- Present in 13 States of Brazil and in Chile

As of September 2010

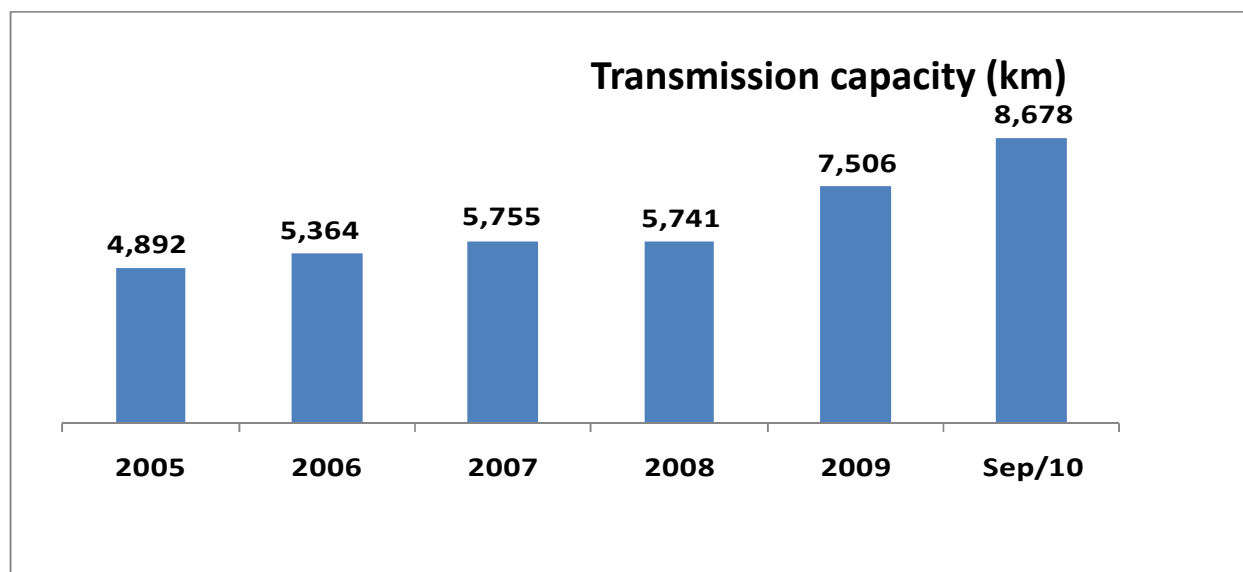
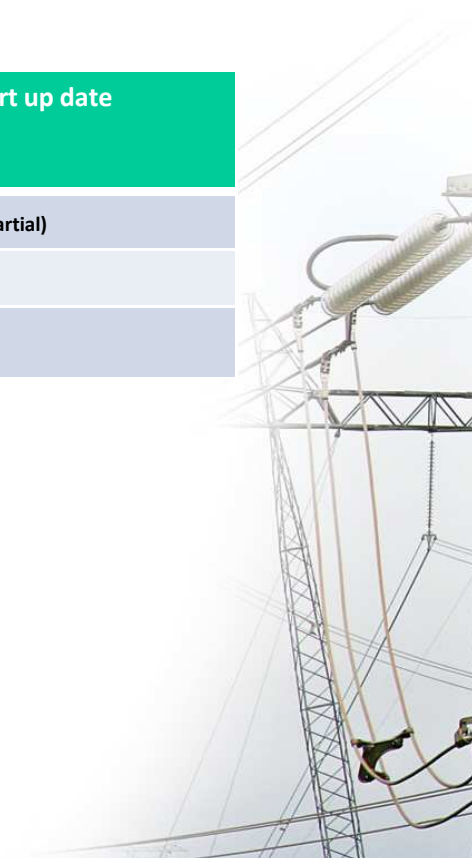


# Power Transmission: Expansion



- ✓ Acquisitions in 2009:
  - Taesa (formerly Terna): R\$ 1.90 billion for a 56.7% stake
  - Increased interest in TBE: R\$ 605 million. Current stake of 40%.

ASSETS	RAP (Permitted Annual Revenue) - R\$ million	Cemig stake (%)	Start up date
EBTE (775km) <sup>1</sup>	27.3	68% <sup>3</sup>	06/2010 (partial)
Transm. Centro Oeste	10.5	51%	03/2010
Santos Dumont substation <sup>2</sup>	8.3	40% <sup>3</sup>	05/2011

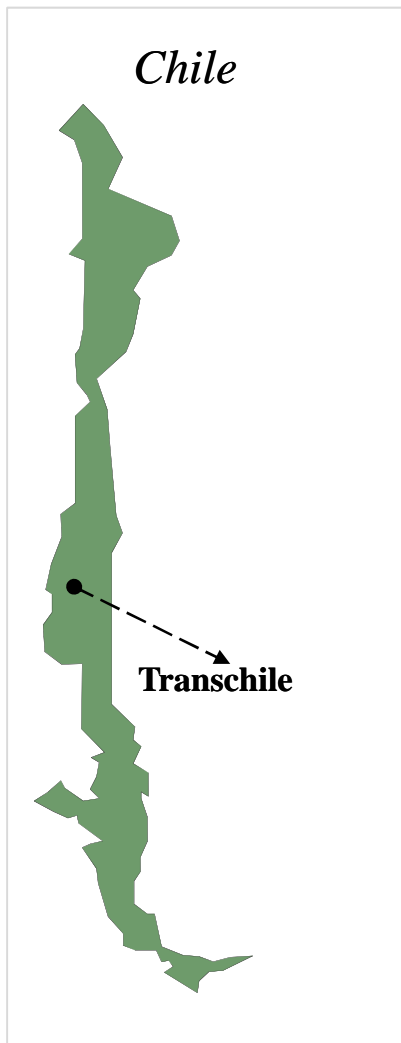


<sup>1</sup> EBTE: indirect holding through EATE.

<sup>2</sup> Indirect holding through ETEP.

<sup>3</sup> Includes direct and indirect holding.

# Start up in Chile: First international step



## Charrúa–Nueva Temuco Transmission Line

- **Voltage:** 2x 220kV
- **Length:** 205 km
- **Concession period:** 20 years
- **Stake:** 49%
- **Total investment:** US\$88 million
- **Annual Revenue:** US\$65 million
- **Financing:** 63% of the investment
- **Capital from Cemig :** US\$20.3 million
- **Start of works:** April 2007
- **Start of operation:** January 2010

# Power Transmission auctions

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- **2010 Auctions**

- **June, 11th**

- 9 lots totaling 700 Km of lines
    - These assets will be built in 7 states
    - 30 years contracts and estimated total capex of R\$700 million
    - 11 substations and 4 transmission lines
    - Total RAP (max): R\$ 84 million
    - Five companies and one consortium won these lots
      - RAP: average winning bid of R\$ 57 million
      - 31.57% discount in average

- **September, 3rd**

- 3 lots totaling 512 Km of lines and four substations
    - These assets will be built in three states
    - 30 years contracts and estimated total capex of R\$300 million
    - Total RAP (max): R\$ 39 million
    - One federal company won these three lots
      - RAP: winning bid of R\$ 19 million
      - 50.9% discount in average

- **November, 26th**

- 3,000 km of lines could be auctioned
    - These assets will be built in 11 states

# The 1<sup>st</sup> Transmission Tariff Review



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.

DESCRIPTION	PREVIOUS VALUE (R\$)	REVIEW VALUE (R\$)
Total Annual Permitted Revenue (RBSE + RBNI)	316,107,885.62	333,010,887.33
<b>Tariff Repositioning Percentage</b>		<b>5.35%</b>

- Backdated payment, including monetary updating: R\$ 158 million.
- RAP for 2009 (with charges/taxes) goes 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 2010.

# Electricity Distribution Capacity



Network in km	2007	2008	2009	Sep/10
<b>SUB-TRANSMISSION</b>	16,676	16,810	16,959	17,096
161-kV lines	55	55	55	55
138-kV lines	11,145	11,254	11,442	11,491
69-kV lines	4,510	4,535	4,508	4,595
Lines below 69 kV	966	966	954	955
<b>DISTRIBUTION</b>	429,560	442,749	450,316	457,463
Urban Overhead lines	90,524	91,550	95,539	96,469
Urban Underground lines	1,049	1,380	1,432	1,432
Rural Overhead Lines	337,987	349,819	353,345	359,562
<b>TOTAL</b>	446,236	459,559	467,275	474,559

- Cemig stands for 12% of Brazil's installed capacity
- We are the largest distribution network as measured by either Km of lines and number of consumers

# Distribution: Expansion

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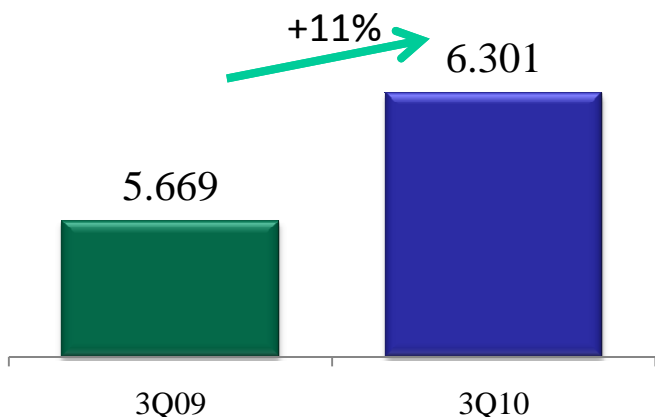
- ✓ Acquisitions in 2009:
  - Increase of stake in Light, jointly with an FIP\*
    - R\$ 785 million for each block of 13.03% in Light
    - Payment to PCP after approvals and stockholding reorganization of Equatorial
    - Currently Cemig holds a direct interest in Light of 25.53%
  
- ✓ Light announces new Executive Board
  - Leadership of Gerson Kelman ensures stability in transition
  - Three new Chief Officers, coming from Cemig
    - More than 25 years activity in electricity sector
    - Will operate in strategic areas: distribution, generation, finances
  - Challenges are: improvement of operational indicators; and  
capture of synergies with Cemig

\*First block paid. Payment to PCP will exclude dividends

# Cemig D: sales by category on September 30, 2010



Electricity sold – GWh: Changes, 3Q10

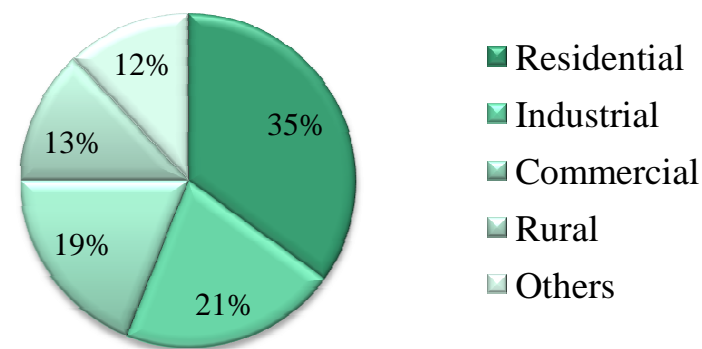


- ✓ Strong growth in all the categories reflects robust economic growth in the economy of Minas Gerais
- ✓ Adjusted for migration of clients to the Free Market, total sales to clients were up 6% year-on-year, led by industry with expansion of 11%.
- ✓ Overcontracting in 2010 is being adjusted through contractual revision in progress and by an adjustment to the model of the CCEE
  - Actions taken in the year should take total electricity bought by the distributor to approximately 103% of total load
  - Volume of settlement on the CCEE has fallen 30% from 2Q to 3Q10

Sales by category - GWh

TYPE	2010*	2009*	Change %
Residential	2,201	1,951	4%
Industrial	1,209	1,220	-1% <b>+11%</b>
Commercial	1,117	1,102	1% <b>+3%</b>
Rural	746	675	10%
Other	748	718	4%
<b>Clients</b>	<b>5,841</b>	<b>5,666</b>	<b>3%</b> <b>+6%</b>
CCEE	460	3	-
<b>Total</b>	<b>6,301</b>	<b>5,669</b>	<b>11%</b>

Percentage by category – Final Consumer 2010\*



(\* )Up to september **87**

# Electricity Distribution tariff review

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- Allowed return on asset approach:
  - Benchmark WACC: was 11.26% in 1<sup>st</sup> cycle (2003)
  - Tariff review: WACC of 9.95% in 2<sup>nd</sup> cycle (2008)
- New Tariff Review methodology:
  - Reference company model disclosed:
    - Black box opened.
  - Asset base review every 10 years (proposal): 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 Preliminary 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%



# Aneel's Proposal for the 3rd Cycle: WACC



Regulatory Proposal		
WACC	2nd Cycle ( Final)	3rd Cycle (Aneel's Proposal)
<b>Debt</b>		
Cost of Debt (Rd)	14.97%	11.50%
Taxes (t)	34.00%	34.00%
Debt-to-Capital (D/D+E)	57.16%	60.00%
WAC of debt	5.65%	4.55%
<b>Equity</b>		
Risk free Rate (Rf)	5.32%	4.96%
Market Premium (Rm – Rf)	6.09%	5.78%
Beta (US)	0.55	0.65
Country Risk (Rb)	6.69%	4.42%
Regulatory Risk (Rf)	1.33%	0.00%
Cost of Equity (Re)	16.72%	13.14%
Equity-to-Capital (E/D+E)	42.84%	40.00%
WAC of Equity	7.16%	5.25%
<b>WACC (nominal, US\$)</b>	<b>12.81%</b>	<b>8.81%</b>
Us Inflation (r)	2.60%	2.48%
<b>WACC (real, US\$)</b>	<b>9.95%</b>	<b>7.15%</b>

# Aneel's Proposal for the 3rd Cycle: Main Changes

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- ✓ Opex:
  - Two stages:
    - Reference Company model of the 2nd Cycle (2008) adjusted to inflation and productivity gains and sales volume increase – First Stage
    - Benchmarking with peers in order to verify Stage 1 and produce component (T) – Second Stage; Cemig is in the G5 group
- ✓ X Factor: New methodology takes into account three components
  - Costs trend: (T) - Reference Company + Benchmarking, ex-ante. More efficient companies will capture gains through all the tariff cycle. Companies will be divided in clusters.
  - Productivity: (P) – Adjusted annually, ex-post. Function of sales volume growth.
  - Quality: (Q) – Companies divided into 4 groups according to the concession area. Better quality supply rewarded with tariff increases. Management through benchmarking of peers. Calculated annually, ex-post.

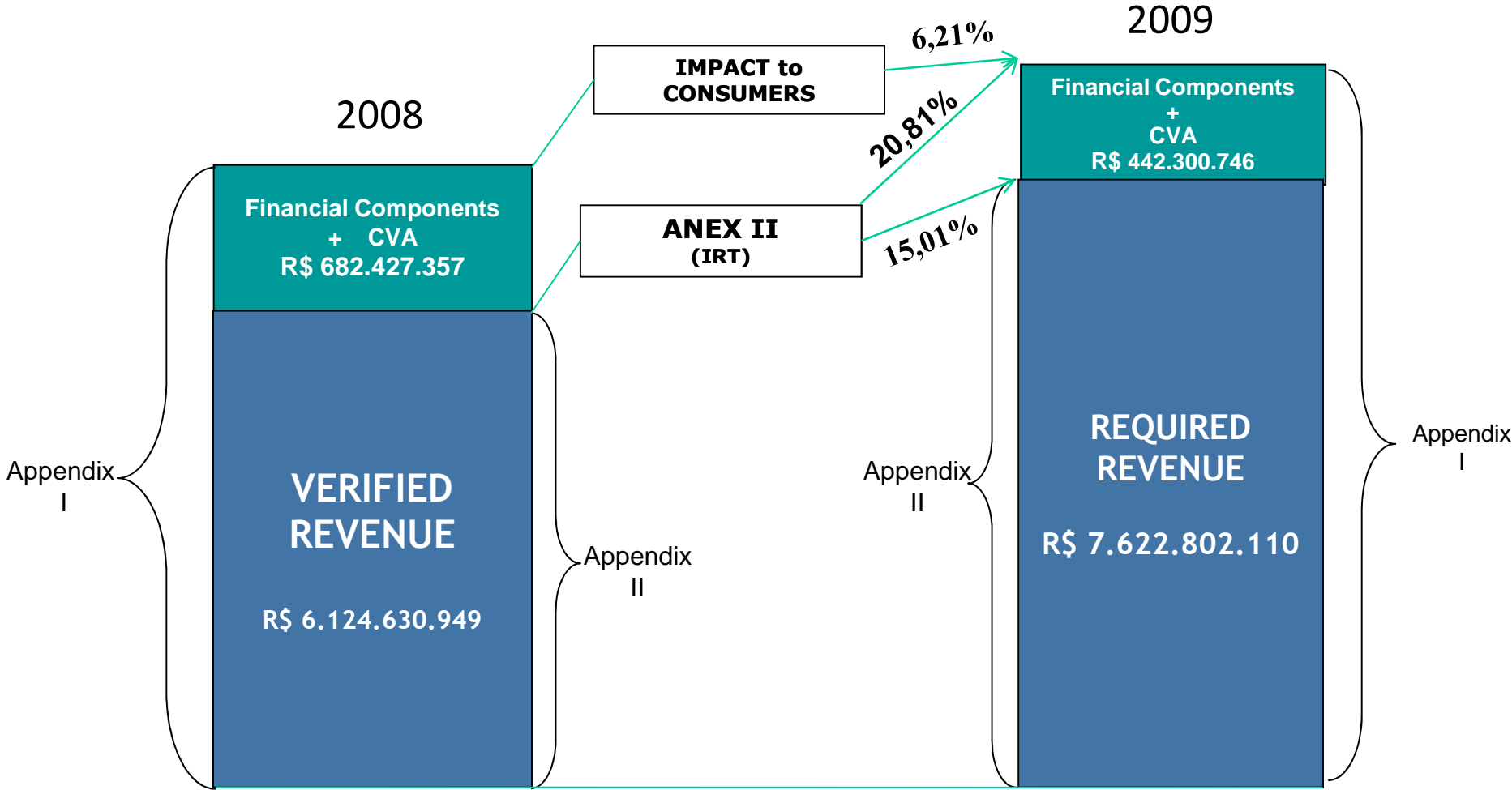
# Aneel's Proposal for the 3rd Cycle: Main Changes

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- ✓ Energy Losses: Regulatory energy losses will be defined according to the complexity of each concession area
  - Companies ranked and then grouped. In a ranking from more to less complexity, to deal with electricity losses, Cemig was considered 24<sup>th</sup> and Light 7<sup>th</sup>
  - The target for each company will be the top performer in their group in terms of energy losses
  
- ✓ Regulatory Asset Base: Just the additional assets will be valued
  - ANEEL's Proposal is not to review the entire asset base
  - In case of Cemig the asset base was expected to be fully reviewed in 2013

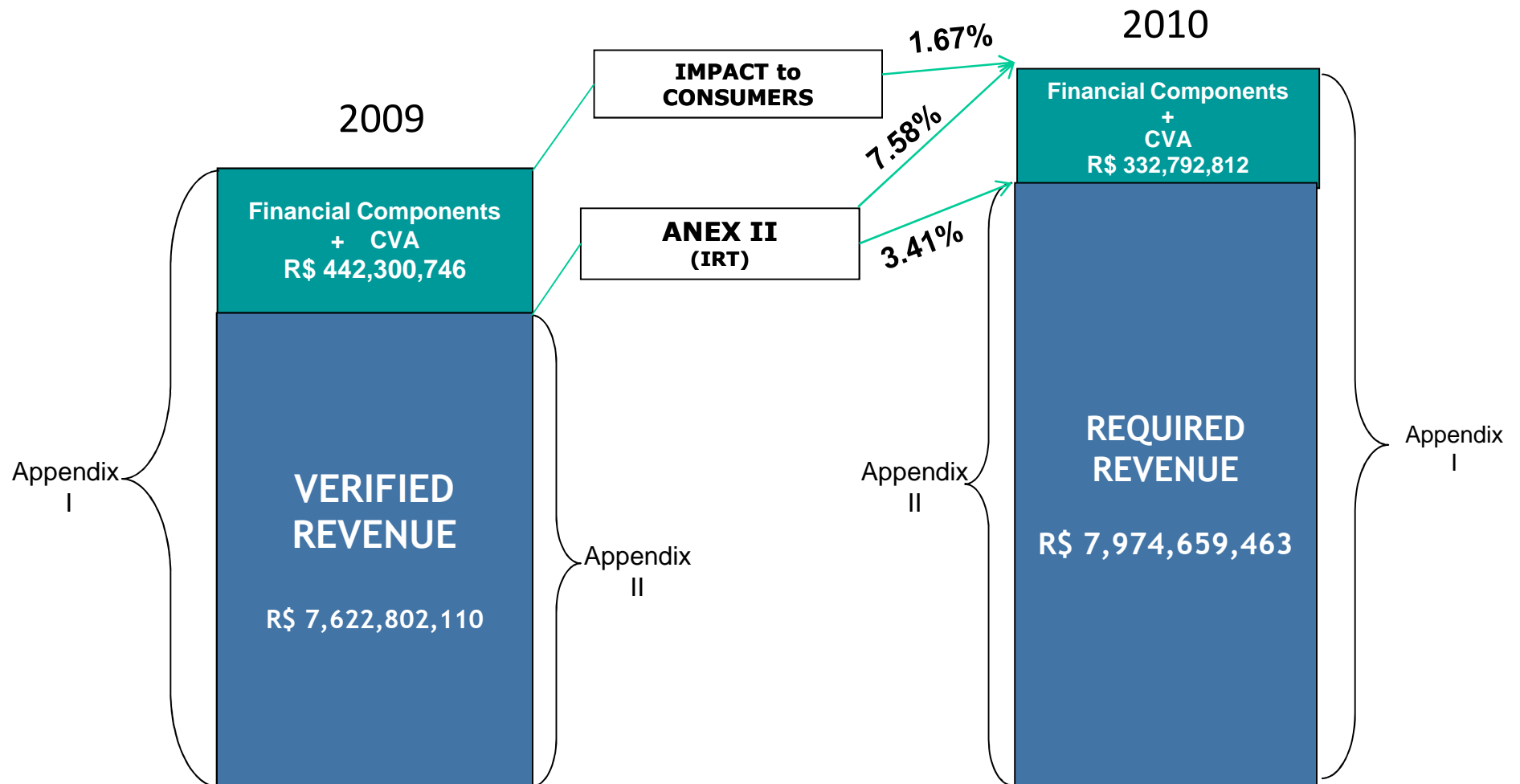
# Cemig D 2009 readjustment and Impact on Tariff



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)

# Cemig D 2010 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)

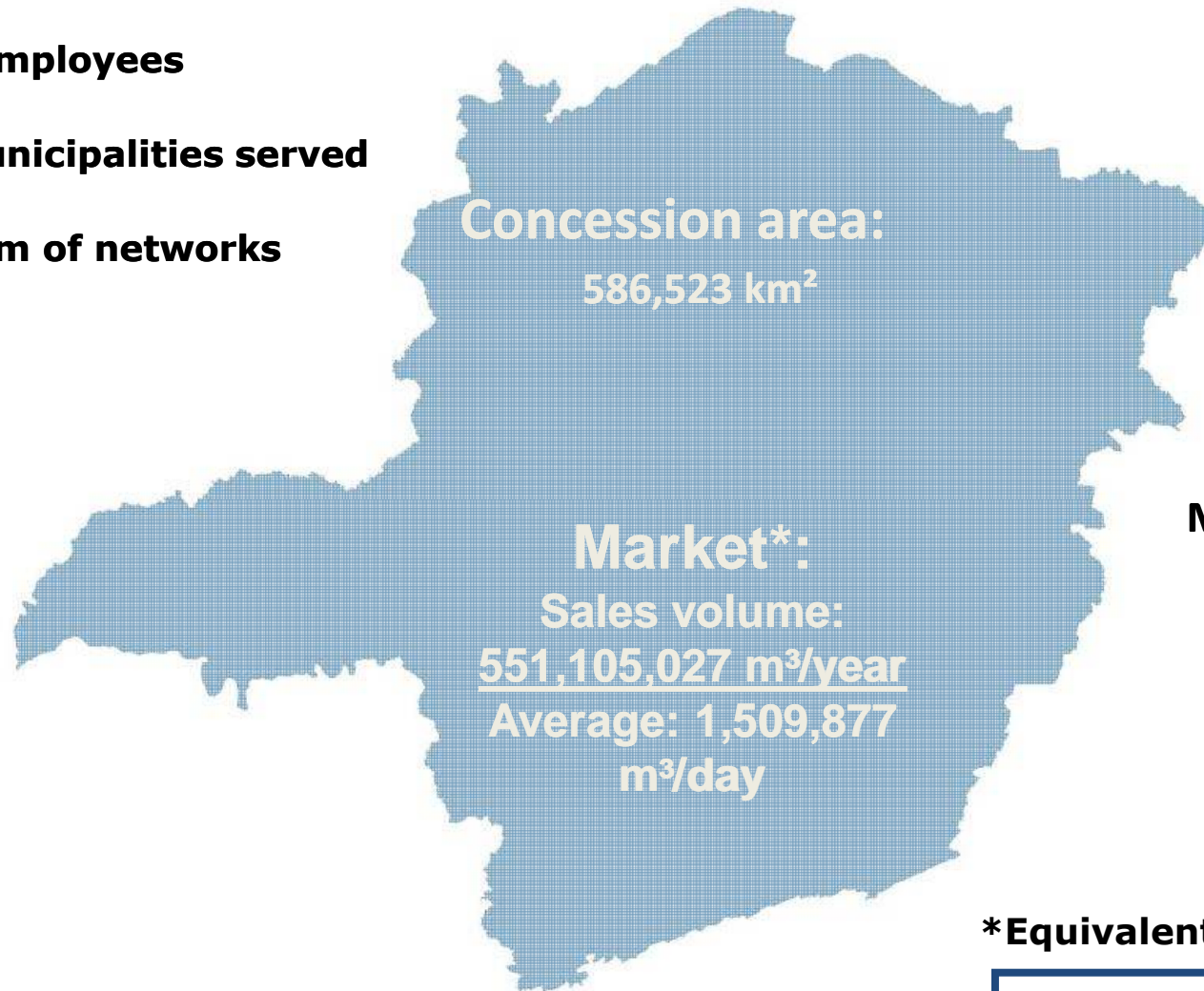
# 1<sup>st</sup> Review 2003 vs 2<sup>nd</sup> Review 2008/2009



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

- ✓ **274 Clients (conventional), 2 Thermal power plants**
- ✓ **220 employees**
- ✓ **23 municipalities served**
- ✓ **794 km of networks**



## Major works:

*Sul de Minas Project*

– Completed

*Vale do Aço project*

– 67% completed

## \*Equivalent in million BTU:

**11,345,639 MBTU/year**

**31,084 MBTU/day**

# 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



# Agenda

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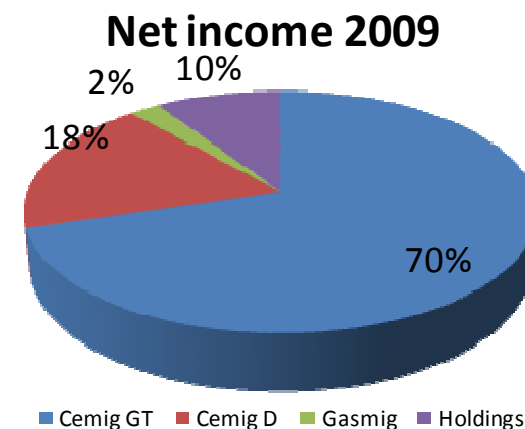
- Background
- Strategy Overview
- Business Outlook
- Acquisitions**
- Results
- Market Recognition
- Regulatory Framework
- Others

# Aquisitions leverage results

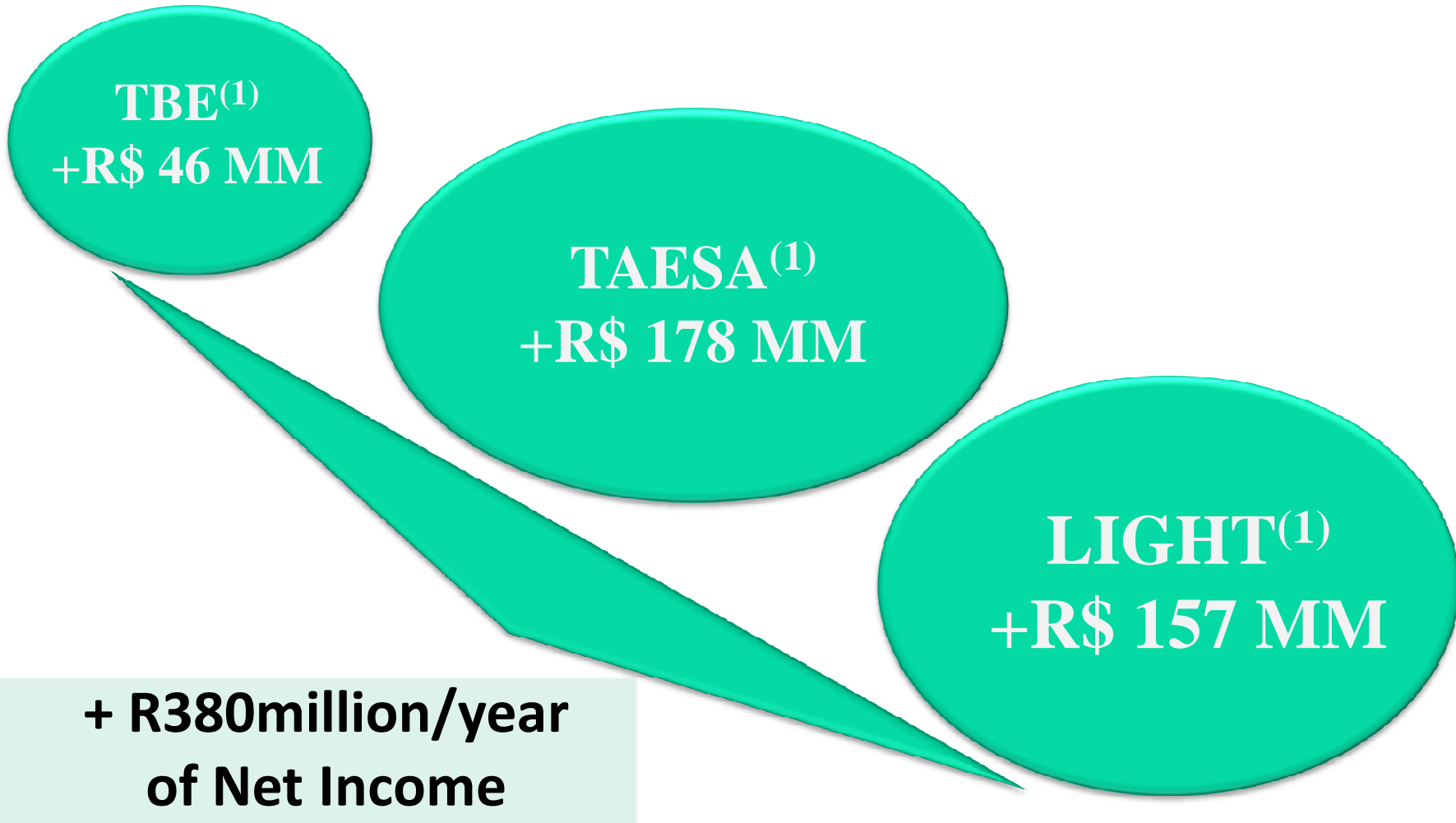


Assets	2004	2005	2006	2007	2008	2009	Total
<b>Value invested in acquisitions R\$ Million</b>							
Rosal	136.7						<b>136.7</b>
TBE			349.3	3.6	3.6		<b>356.6</b>
Light			174.6				<b>174.6</b>
<b>Total</b>	<b>136.7</b>	<b>-</b>	<b>523.9</b>	<b>3.6</b>	<b>3.6</b>		<b>667.8</b>
<b>Contribution to net income</b>							
Rosal	(5.6)	18.9	18.7	18.9	120.5	23.4	
TBE			24.7	28.9	36.4	79.1	
Light			(19.6)	147.1	128.5	78.8	
<b>Total</b>	<b>(5.6)</b>	<b>18.9</b>	<b>23.8</b>	<b>194.9</b>	<b>184.4</b>	<b>181.3</b>	
<b>Dividends received</b>							
Rosal			13.3	17.7	17.4	58.9	107.3
TBE			10.4	33.9	32.8	29.4	106.4
Light				67.7	107.1	92.9	267.7
<b>Total</b>	<b>-</b>	<b>-</b>	<b>23.7</b>	<b>119.3</b>	<b>157.3</b>	<b>181.2</b>	<b>481.5</b>

- ✓ R\$ 181 million of 2009 consolidated Net income came from acquisitions made in 2004–2008
- ✓ 2009 P/E of these acquisitions is 3.7
- ✓ Dividends and other proceeds received from these companies represent 72% of the amount invested.



# Holdings acquired in 2009 add immediate income



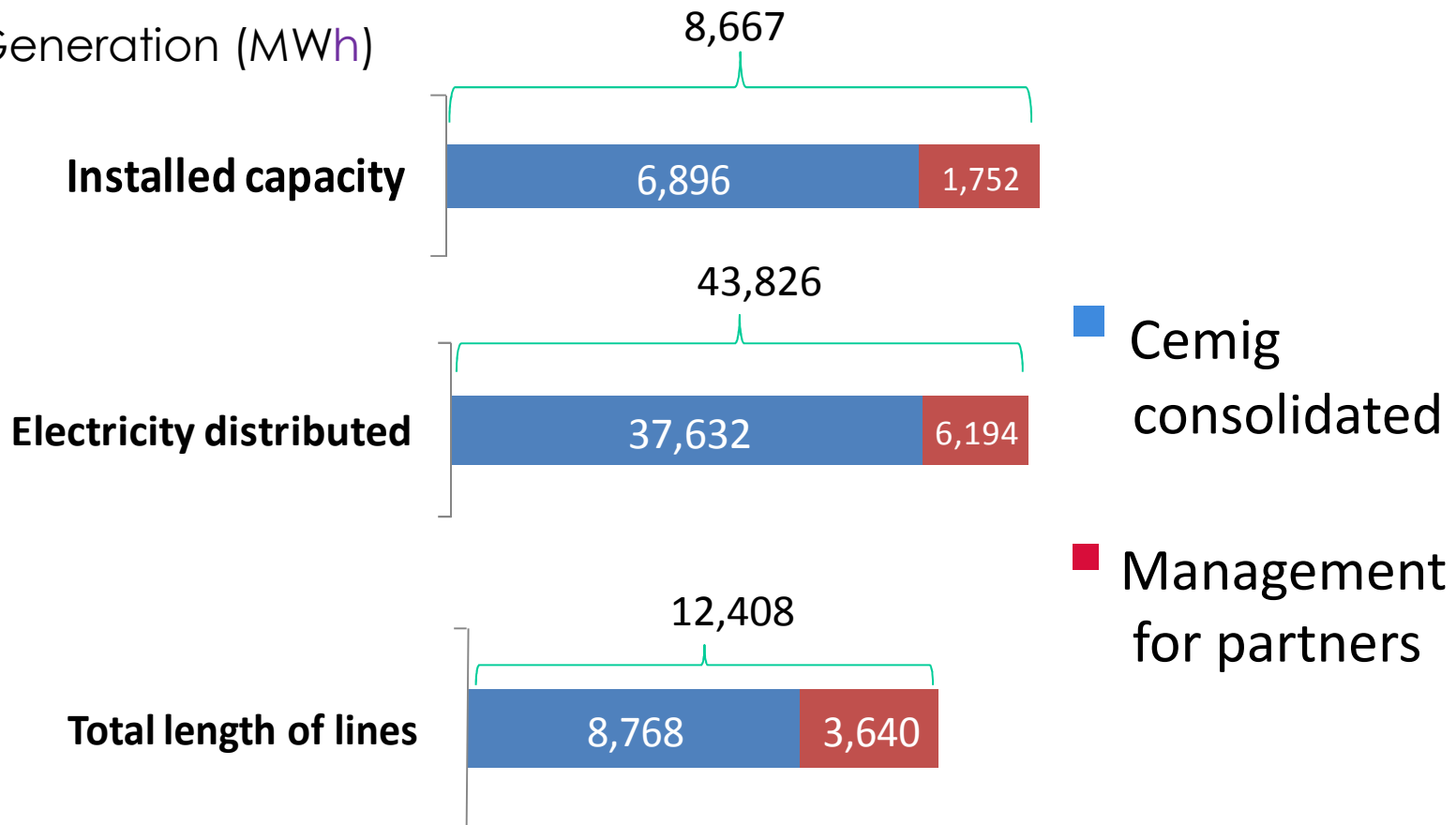
(1) 2009 numbers are pro-forma; they include the increased stake in **Light** (from 13% to 26%) and **TBE** (from 17% to 39%), and assume 100% subscription to the public offer to buy the free float of **Taes**.

# Cemig Group grows through management of assets



✓ As well as operators, we have become managers of assets, in all segments of electricity:

✓ Generation (MWh)



# Acquisition of Brookfield's shares in TBE



- ✓ In 2006 Cemig acquired a Stake in TBE
- ✓ Cemig increased its stake in TBE: R\$505M paid in 2009
  - ✓ Now Cemig holds approximately a 35% interest in TBE

Stakes before the acquisition					
	EATE	ECTE	ENTE	ERTE	ETEP
CEMIG	17.68%	7.50%	18.35%	18.35%	19.67%
Eletrobrás	29.30%	0%	0%	0%	21.33%
Other partners	53.02%	92.50%	81.65%	81.65%	59.00%
Stakes after acquisition of Brookfield's shares					
CEMIG	35.34%	13.37%	36.69%	36.69%	39.33%
Eletrobrás	29.30%	0%	0%	0%	21.33%
Other partners	35.36%	86.63%	63.31%	63.31%	39.34%

- On July 14, 2009 Cemig acquired the 4.9% of the shares held by Brookfield in the companies of the TBE Group, EATE, ENTE, ERTE and ETEP and 3.8% of ECTE, for R\$ 25,047,488.02. Including the transaction made on June 30, 2009, in which Cemig acquired 95% of Brookfield's shares in TBE (74.5% in ECTE), the total disbursed was R\$ 504,976,101.08.

# Acquisitions



## Increase of interest in TBE – Acquisition of shares held by MDU

- The acquisition of equity interests held by MDU in the companies of the TBE group was completed on November 12, 2010.
- Cemig's stakes were increased to the following:

COMPANY	% OF TOTAL CAPITAL
Empresa Norte de Transmissão de Energia S.A. (ENTE)	13.30%
Empresa Regional de Transmissão de Energia S.A. (ERTE)	13.30%
Empresa Catarinense de Transmissão de Energia S.A. (ECTE)	5.73%

- Total amount of the transaction: R\$ 100.5 million.

### Cemig's interests in TBE group companies after acquisition of MDU's interest

% OF TOTAL CAPITAL	EATE	ECTE	ENTE	ERTE	ETEP
Alupar Investimentos S.A.	38.01%	40.01%	50.01%	50.01%	50.02%
Centrais Elétricas Brasileiras S/A Eletrobrás	24.00%	0.00%	0.00%	0.00%	8.02%
Centrais Elétricas de Santa Catarina - CELESC	0.00%	30.88%	0.00%	0.00%	0.00%
Companhia Energética de Minas Gerais - CEMIG	37.99%	19.09%	49.99%	49.99%	41.96%
MDU	0.00%	10.01%	0.00%	0.00%	0.00%
Members of the Board of Directors	0.00%	0.00%	0.00%	0.00%	0.00%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

# 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.

# Acquisition of holdings in wind farms: The Transaction

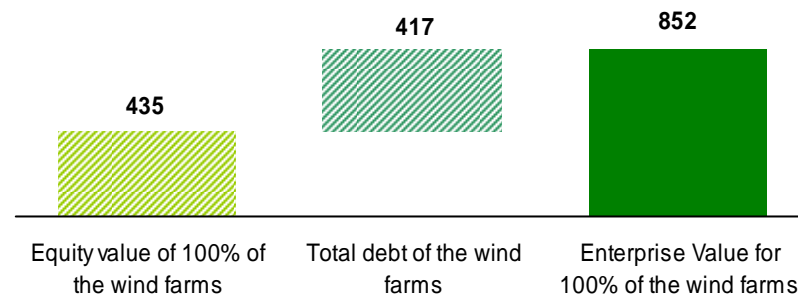


## The Transaction

- 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\$ 223 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.

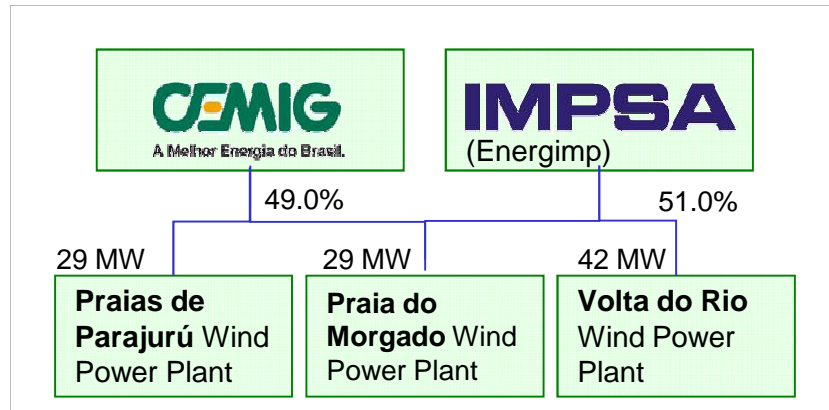
## Equity + debt: components of EV

- R\$ million



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

## Resulting stockholding structure



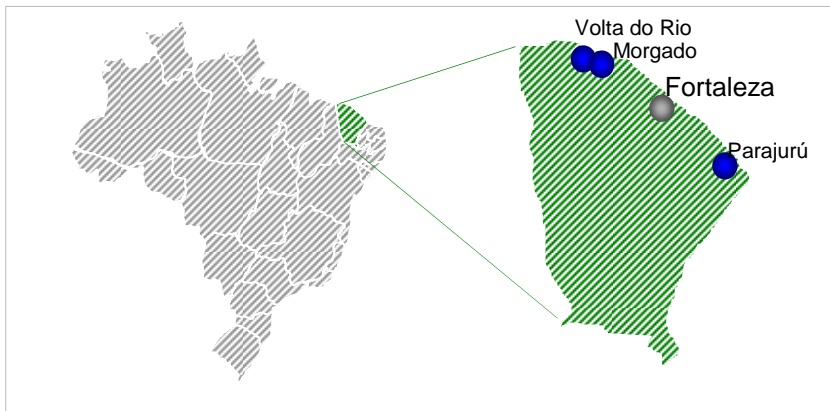
## Principal financing

- 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

# Terna (now named TAESA) acquisition - Transaction Summary



- ✓ Power Transmission Company with 3,753 km of lines in 11 Brazilian States
- ✓ Payment of R\$ 2.15 billion on November 3, 2009: partnership with Fip Coliseu
  - 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

# Rationale of model for Taesa acquisition (with FIP)

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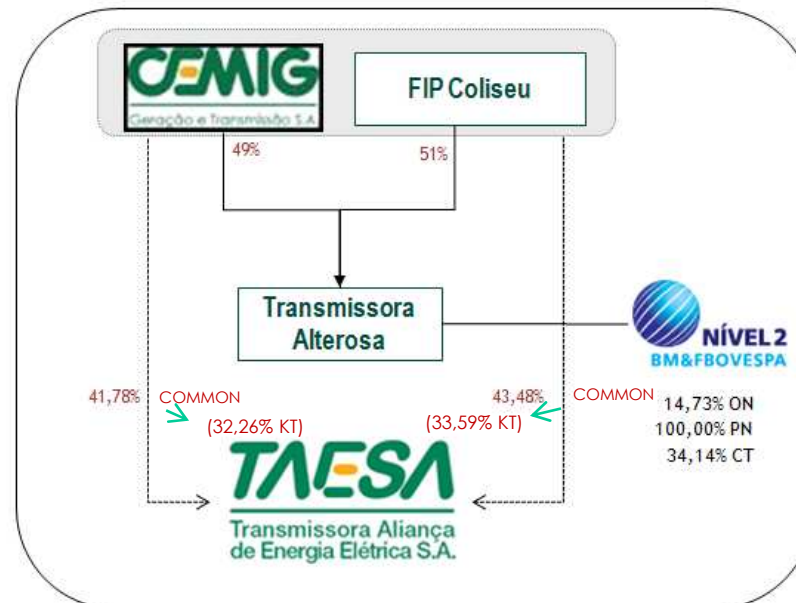
- ✓ In line with the Long-term Strategic Plan
- ✓ Vehicle for growth in the transmission sector
- ✓ Synergies with Cemig's transmission assets, including TBE
- ✓ Operational and corporate gains
- ✓ Possibility of improving Ebitda margin
- ✓ Partnership with an FIP reduces the disbursement on the acquisition, 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

# FIP Coliseu: Efficient vehicle for growth in Transmission



- ▶ On November 4th, 2009, Cemig GT, jointly with FIP Coliseu, acquired 65.85% of Terna Participações S.A., through Transmissora do Atlântico de Energia Elétrica S.A.
- ▶ Atlântico was split, creating Transmissora Alterosa, which will be responsible for the public offer to acquire the free float from minority stockholders.
- ▶ Terna absorbed Atlântico, and its name was changed to Transmissora Aliança de Energia Elétrica S.A. – “Taesa”.

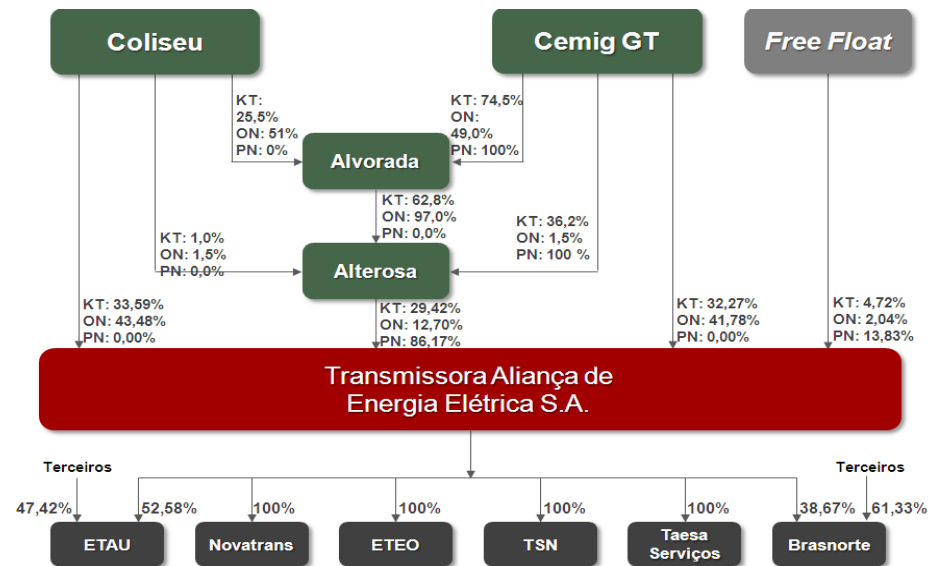
## Taesa: Structure before public offer



# Public offer for shares in Taesa



- ✓ 86% of minority shareholders accepted
- ✓ Updated price per share: R\$ 12.91 (R\$ 38.73 per Unit)
- ✓ Total investment in this offer: R\$ 831 million
- ✓ Settlement: May 11<sup>th</sup>
- ✓ Cemig's final interest:
  - 56.7% - total capital
  - 48.0% - ON shares
  - 86.2% - PN shares



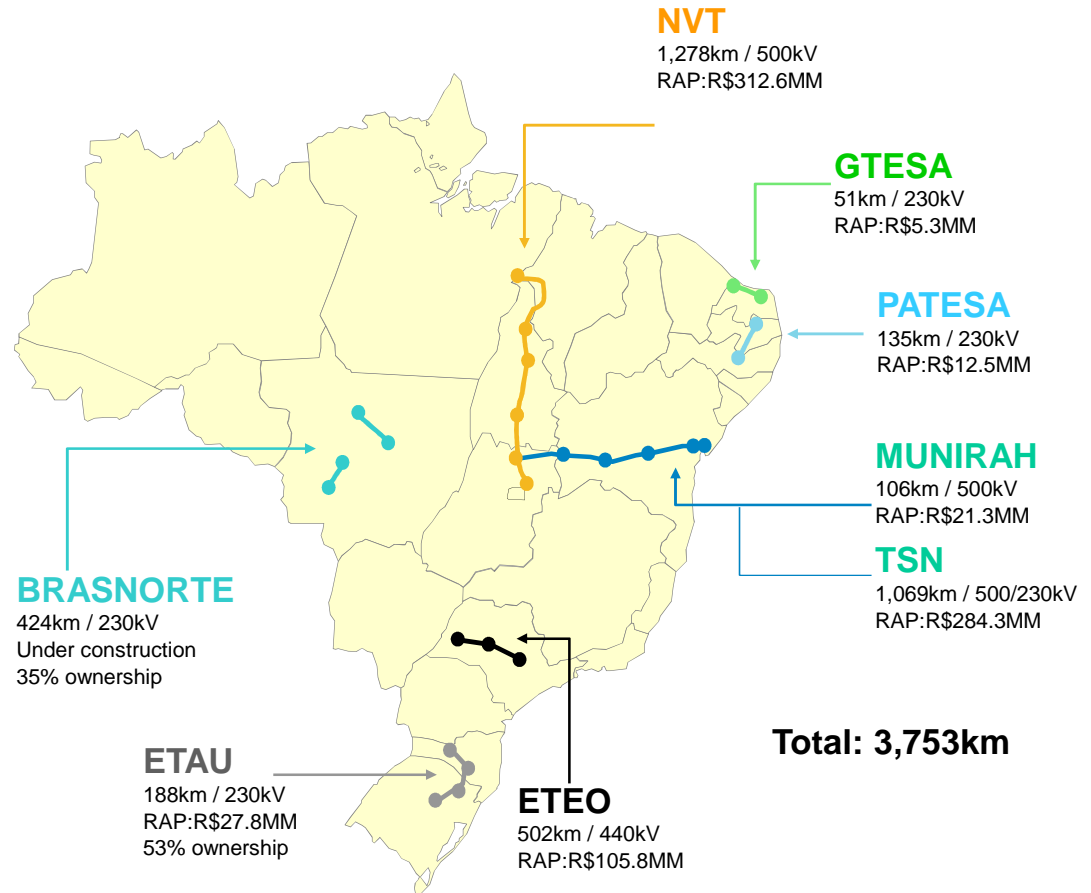
# Transmissora Aliança de Energia Elétrica S.A - Taesa Overview



## Geographic Footprint

### 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



# Increasing stake in Light in 2010 creates new opportunities

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- ✓ A 13.03% stake was bought for R\$172M in 2006 (with full payback in 2 years)
- ✓ Cemig D and Light represent almost 16% of electricity distributed in Brazil in 2008
  - Tradition and experience in Light and Cemig brought closer
  - Opportunity to capture synergy gains between assets and processes
- ✓ Cemig GT and Light have opportunities to jointly create value
  - Partnerships have already been made for construction of new hydro plants (PCH Paracambi is already feasible)
  - Opportunity to capture synergy gains in sales in the Free Market
  - Light's "assured energy" will be re-priced in 2013 and 2014, strong likelihood of increasing
- ✓ Cemig increases its exposure to one of Brazil's fastest-growing economies
  - Major increase in investment in the economy of Rio de Janeiro, due to pre-salt oil, and other industrial projects
  - Positive impact in the economy of Rio de Janeiro derived from the Olympics and Soccer World Cup

# Summary of the transaction



- Restructuring of the controlling shareholding block of Light
  - AG Concessões and PCP (Equatorial) will sell their stakes in Light
  - Equatorial will undergo a shareholding reorganization
  - Cemig will be a minority shareholder in a Special-purpose Company (SPC) constituted jointly with a new FIP
  - The SPC will hold a stake of up to 26.06% in Light
- Price of the transaction:
  - R\$ 785 million for each 13.03% block of Light, equivalent to approximately R\$ 29.54 per share
  - Payment to AG Concessões for 12,50%, in march, total R\$719 million
  - Payment to PCP after approvals and the shareholding restructuring of Equatorial
  - Price updated by the Cetip CDI rate\*, from December 1, 2009
- Good returns and known level of risk:
  - Price paid is 7.22 x 2009 Ebitda, and 6.36 x 2010 Ebitda, according to market consensus figures of November 2009.

\* The acquisition's price will be deducted by dividends paid or declared from December 1, 2009



# Increasing stake in Light marks the beginning of a new era



- ✓ The increase of Cemig's stake marks the beginning of a second stage in Light's history
  - With the selling of the financial partners' stakes it will be possible to increase the synergy between Cemig and Light
  - Corporate Governance structure will be preserved
  - A new era for Light will be marked by company's growth and improvement in its operational and technical standards, preserving the excellence, culture and values of Light's employees.
  - Market recognition shows that Light is in a growing path.
- ✓ Natural development from the acquisition made in 2006 (1st stage)
  - Turnaround achieved
    - Financial restructuring
    - The company became profitable and began to distribute dividends
    - Interest are aligned between shareholders
  - Acquired in partnership with three partners, through RME
- ✓ Adding value for all shareholders – Light and Cemig
  - Regulated business with predictable revenue at each tariff cycle
  - Stable cash flow, with defensive profile
- **Strategy of growth through partnerships has been successful (Light, TBE, Terna)**

# Agenda

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- Background
- Strategy Overview
- Business Outlook
- Acquisitions
- Results**
- Market Recognition
- Regulatory Framework
- Others

# CAPEX<sub>(R\$ Million)</sub>



## Investment program

Atividade	Realized Up to Sep/10	Planned			
		2010	2011	2012	2013
<b>Basic program (1)</b>	400	916	1,167	885	80
Generation	18	63	126	74	72
Transmission	10	30	40	16	8
Cemig D	372	822	1,001	793	-
Cemig H	-	1	-	2	-
Expasion(2)	156	319	263	252	60
<b>Light for Everyone Program</b>	340	444	(42)	-	-
<i>Light for Everyone – Cemig's part</i>	340	503	325	-	-
<i>CDE</i>	-	(59)	(200)	-	-
<i>Minas Gerais State</i>	-	-	(166)	-	-
<b>Acquisitions</b>	1,569	1,577	5	7	-
<i>Terna Participações</i>	827	827	-	-	-
LIGHT	719	719	-	-	-
TBE - ( Stock buyback)	3	11	5	7	-
PCH Paracambi - acquisition of LightGer	20	20	-	-	-
<b>Total</b>	2,465	3,256	1,393	1,144	140

# 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	29	71			
Itaocara	49					194
Paracambi	49			25		
Lajes	49		18			
<b>Capacity under construction</b>		<b>29</b>	<b>153</b>	<b>25</b>	<b>3,150</b>	<b>194</b>
<b>Cemig stake (MW)</b>		<b>14</b>	<b>75</b>	<b>12</b>	<b>315</b>	<b>95</b>
<b>CEMIG TOTAL</b>		<b>6,783</b>	<b>6,858</b>	<b>6,870</b>	<b>7,185</b>	<b>7,280</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>

# Large Growth in Cash Flow



<b>Cash Flow Statement (consolidated) (Values in R\$ million)</b>	<b>3Q10</b>	<b>3Q09</b>	<b>Change%</b>	<b>9M10</b>	<b>9M09</b>	<b>Change%</b>
<b>Cash at start of period</b>	<b>3,755.0</b>	<b>2,251</b>	<b>67</b>	<b>4,425</b>	<b>2,284</b>	<b>94</b>
<b>Cash from operations</b>	<b>1,147.0</b>	<b>1,363</b>	<b>(16)</b>	<b>3,033</b>	<b>2,671</b>	<b>14</b>
Net income	553.0	567	(2)	1,263	1,427	(11)
Depreciation and amortization	213.0	173	23	611	517	18
Suppliers	263.0	36	631	173	- 159	(209)
Deferred Tariff Adjustment	2.0	-	-	-	133	(100)
Regulatory Asset - Transmission Tariff Review	50.0	21	-	50	136	-
Other adjustments	66.0	566	(88)	936	617	52
<b>Financing activity</b>	<b>(103.0)</b>	<b>100</b>	<b>(203)</b>	<b>- 105</b>	<b>- 103</b>	<b>2</b>
Financing obtained and capital increases	454.0	121	275	4,373	592	639
Payment of loans and financing	(546.0)	- 9	5,967	- 4,001	- 214	1,770
Interest on Own Capital and Dividends	(4.0)	- 12	-	- 470	- 481	(2)
Investment activity	(621.0)	- 945	(34)	- 3,175	- 2,083	52
Investments	(59.0)	- 50	18	- 447	- 216	107
Property, Plant and Equipment /Intangible	(562.0)	- 895	(37)	- 2,728	- 1,867	46
<b>Cash at the end of period</b>	<b>4,178</b>	<b>2,769</b>	<b>51</b>	<b>4,178</b>	<b>2,769</b>	<b>51</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)

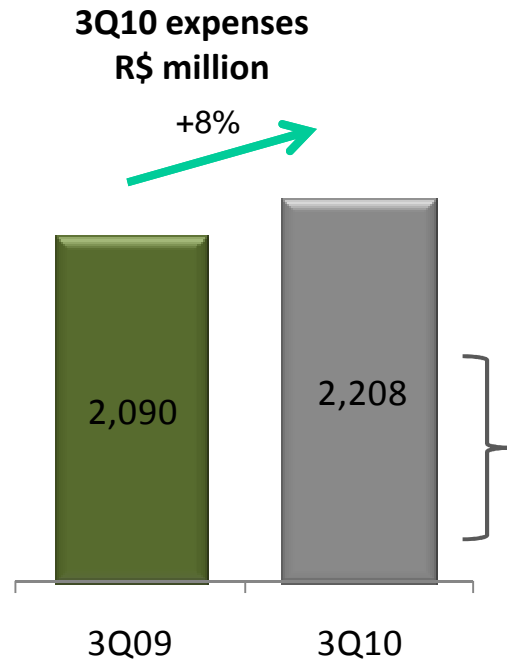
Operating Revenues (consolidated) (Values in R\$ million)	3Q10	3Q09	Change%	Up to Sep/10	Up to Sep/09	Change%
Sales to end consumers	3,391	3,248	4	9,936	9,435	5
TUSD	419	247	70	1,115	845	32
Effects of the Definitive Tariff Review	-	66	(100)	71	(137)	-
Supply + Transactions in the CCEE	463	403	15	1,199	1,227	(2)
Revenues from Trans. Network	348	278	25	887	755	17
Gas Supply	106	83	28	292	234	25
Others	85	76	12	221	206	7
<b>Subtotal</b>	<b>4,812</b>	<b>4,401</b>	<b>9</b>	<b>13,721</b>	<b>12,565</b>	<b>9</b>
Deductions	(1,629)	(1,412)	15	(4,673)	(4,242)	10
<b>Net Revenues</b>	<b>3,183</b>	<b>2,989</b>	<b>6</b>	<b>9,048</b>	<b>8,323</b>	<b>9</b>

# Operating Expenses



Operating Expenses (consolidated) (Values in R\$ million)	3Q10	3Q09	Change%	Up to Sep/10	Up to Sep/09	Change%
Personnel/Administrators/Councillors	265	278	(5)	858	1,024	(16)
Forluz – Post-Retirement Employee Benefits	41	37	9	126	106	20
Materials	31	27	13	89	79	12
Raw material for production	-	-	-	-	4	(100)
Contracted Services	234	170	38	639	532	20
Purchased Energy	1,077	1,019	6	3,024	2,529	20
Royalties	38	42	(10)	113	115	(1)
Depreciation and Amortization	213	174	23	611	517	18
Operating Provisions	(33)	42	(179)	174	89	96
Charges for Use of Basic Transmission Network	208	198	5	599	613	(2)
Gas Purchased for Resale	62	44	41	163	129	26
Other Expenses	73	58	25	253	214	18
<b>Total</b>	<b>2,208</b>	<b>2,090</b>	<b>6</b>	<b>6,648</b>	<b>5,951</b>	<b>12</b>

# Consolidated operational expenses



- ✓ Operational efficiency program begins to generate results
  - Reduction of personnel expenses (from 3Q09 to 3Q10) is over R\$ 15 mn
- ✓ Higher expenses on outsourced services reflect prioritization for preventive maintenance
- ✓ Increased spending on electricity bought for resale is the result of greater selling activity by Cemig GT



# 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 R\$ million)	3Q10	3Q09	Change%	Up to Sep/10	Up to Sep/09	Change%
Net Revenue	3,183	2,989	6	9,048	8,323	9
Operating Expenses	(2,208)	(2,090)	6	(6,648)	(5,951)	12
<b>EBIT</b>	<b>975</b>	<b>899</b>	<b>8</b>	<b>2,400</b>	<b>2,372</b>	<b>1</b>
<b>EBITDA</b>	<b>1,188</b>	<b>1,073</b>	<b>11</b>	<b>3,011</b>	<b>2,888</b>	<b>4</b>
Financial Result	(165)	(10)	1,550	(433)	(81)	435
Provision for Income Taxes, Social Cont & Deferred Income Tax	(204)	(288)	(29)	(572)	(722)	(21)
Employee Participation	(53)	(26)	104	(132)	(99)	33
Minority Shareholders	-	(8)	(100)	-	(43)	(100)
<b>Net Income</b>	<b>553</b>	<b>567</b>	<b>(2)</b>	<b>1,263</b>	<b>1,427</b>	<b>(11)</b>

# Cemig Distribuição



Statement of Results - CEMIG D (Values in R\$ million)	3Q10	3Q09	Change%	Up to Sep/10	Up to Sep/09	Change%
Net Revenue	1,673	1,761	(5)	5,086	4,537	12
Operating Expenses	1,485	1,520	(2)	4,684	4,148	13
<b>EBIT</b>	<b>188</b>	<b>241</b>	<b>(22)</b>	<b>402</b>	<b>389</b>	<b>3</b>
<b>EBITDA</b>	<b>284</b>	<b>321</b>	<b>(12)</b>	<b>686</b>	<b>632</b>	<b>9</b>
Financial Result	(35)	43	(181)	(105)	36	(392)
Provision for Income Taxes, Social Cont & Deferred Income Tax	(18)	(74)	(76)	(31)	(76)	(59)
Employee Participation	(37)	(19)	95	(96)	(70)	37
<b>Net Income</b>	<b>98</b>	<b>191</b>	<b>(49)</b>	<b>170</b>	<b>279</b>	<b>(39)</b>

# Cemig Geração e Transmissão



Statement of Results - CEMIG GT (Values in R\$ million)	3Q10	3Q09	Change%	Up to Sep/10	Up to Sep/09	Change%
Net Revenue	991	843	18	2,685	2,612	3
Operating Expenses	(404)	(330)	22	(1,179)	(996)	18
<b>EBIT</b>	<b>587</b>	<b>513</b>	<b>14</b>	<b>1,506</b>	<b>1,616</b>	<b>(7)</b>
<b>EBITDA</b>	<b>666</b>	<b>570</b>	<b>17</b>	<b>1,728</b>	<b>1,786</b>	<b>-</b>
Financial Result	(117)	(55)	113	(318)	(148)	115
Provision for Income Taxes, Social Cont & Deferred Income Tax	(116)	(133)	(13)	(329)	(442)	(26)
Employee Participation	(11)	(6)	83	(28)	(22)	27
<b>Net Income</b>	<b>343</b>	<b>319</b>	<b>8</b>	<b>831</b>	<b>1,004</b>	<b>(17)</b>

# Agenda

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- Background
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- Business Outlook
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- Market Recognition**
- Regulatory Framework
- Others

# Market Recognition



Included in the DJSI for the 11th year running.



Prêmio Anefac  
Transparency Trophy, 2010.



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.



Included in Bovespa Corporate Sustainability Index.



✓ Best analyst meeting



✓ 37th Apimec Award



- Regulatory Framework
- Others

# 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

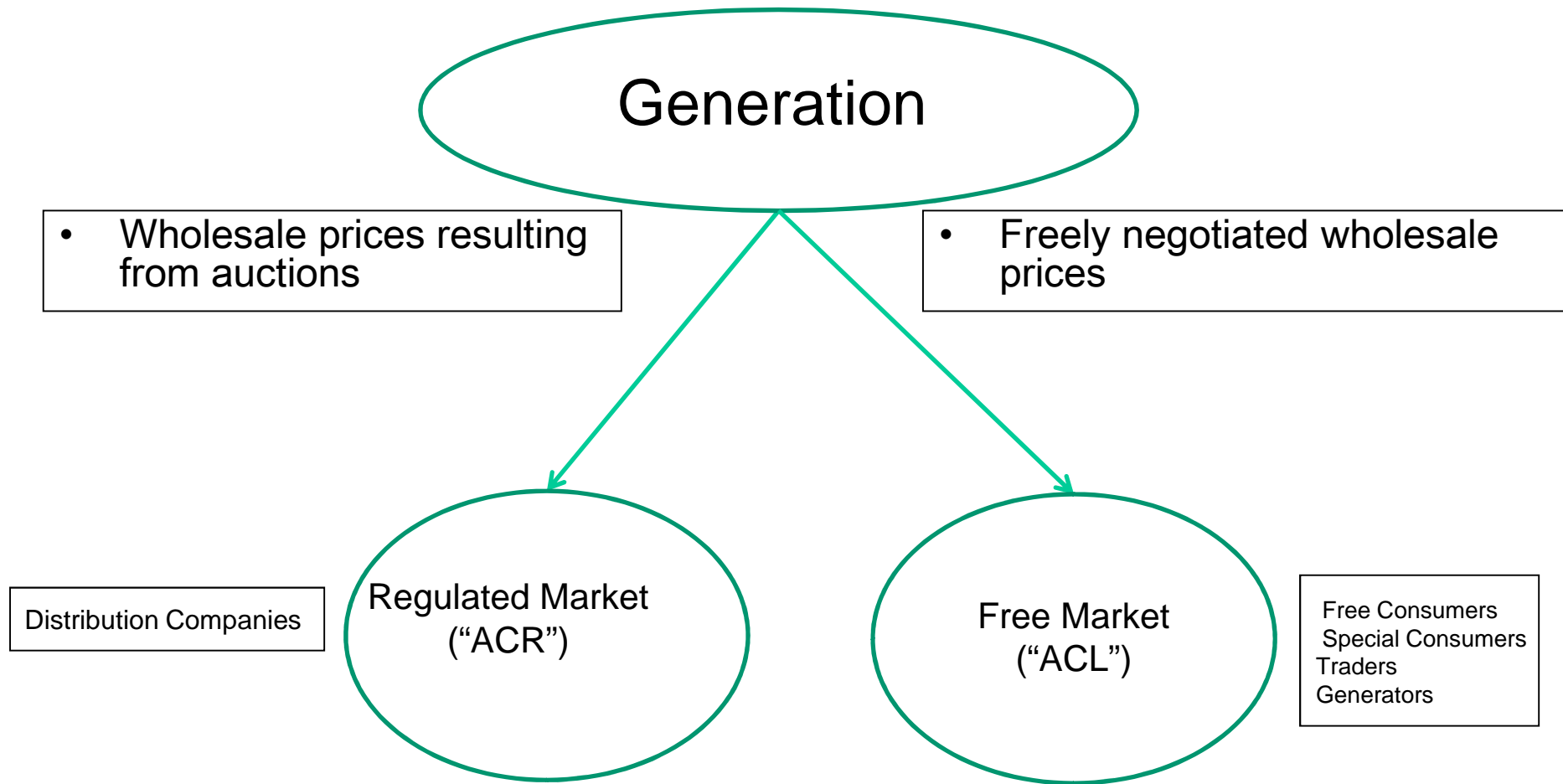
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- Price will behave differently according to the nature of the contract to be auctioned by ANEEL:
  - Existing capacity (so called “old energy”) contracts:
    - power to be supplied in a year from now;
    - Term of 8 years;
    - Imply distributor ‘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.



# Brazil's electricity markets



Co-existence of two markets: competitive, and regulated

# Types of contracting in the Regulated Market



	<b>A-5 New Energy Auctions</b>	<b>A-3 New Energy Auctions</b>	<b>A-1 Existing Generation Auctions</b>	<b>Adjustment Auctions</b>		<b>Local Generation Auctions (Distribution Company Option)</b>
Objective	Expansion	Expansion	Existing load	Adjustment of current situation		Existing load
Duration of contract	15 to 30 years	15 to 30 years	5 to 15 years	Up to 2 years		No standard
Market	Regulated	Regulated	Regulated	Regulated		Regulated
Restrictions	None	2% of the load in A-5	Depends on the replacement amount, that is to say the amount of electricity that is being de-contracted in the year the auction is held.	Up to 1% of the demand contracted in A		Up to 10% of the load. Passthrough limited by the Reference Value, that is to say the limit for passthrough to the tariff.
Source (Usual)	Hydro	Hydro and Thermal	Hydro and Thermal	Hydro		Hydro, Thermal and alternative sources

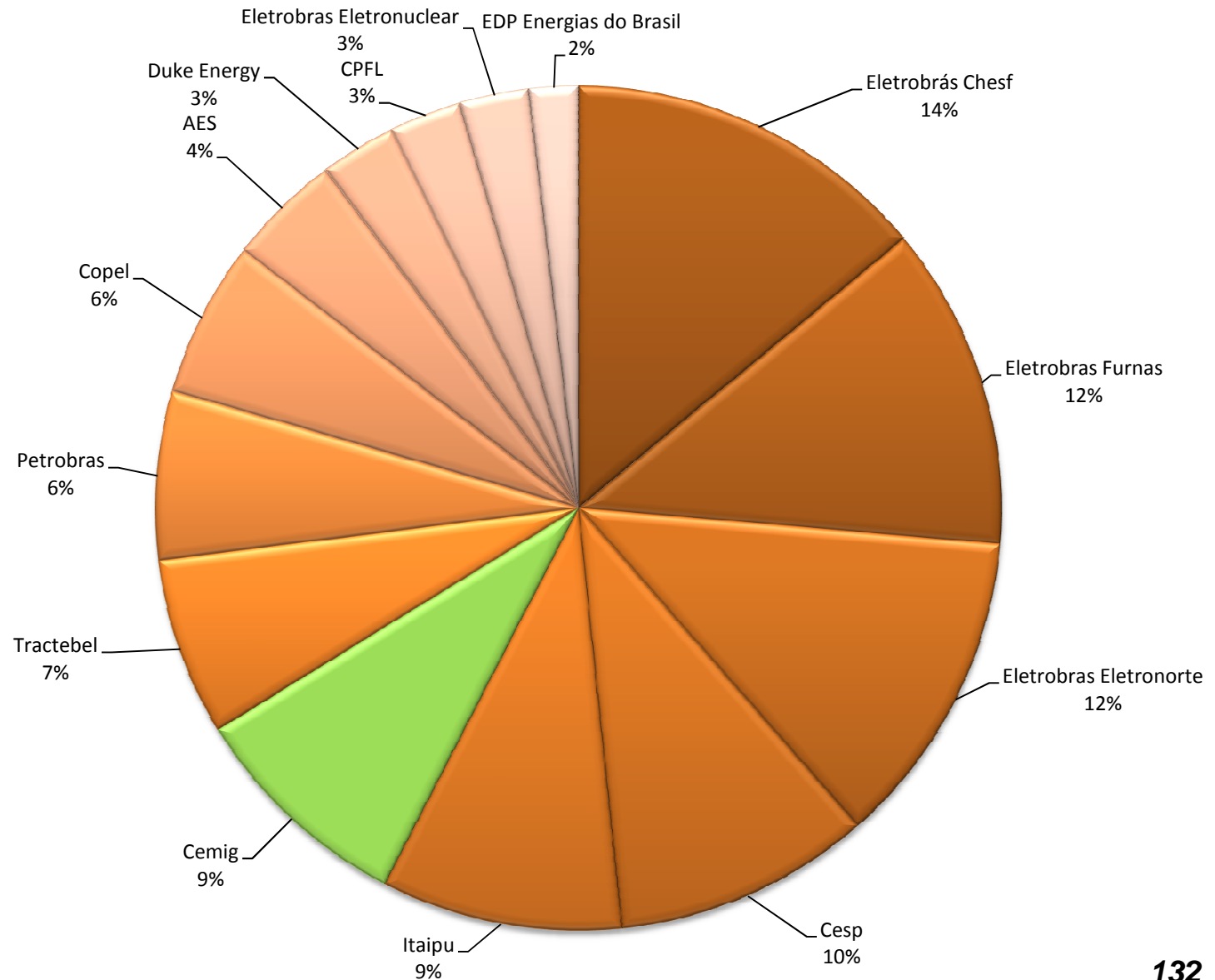
# Reserve Auctions

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- ❖ Objective: To further increase the security of the System by diversifying supply sources
- ❖ Energy sources: So far specific auctions for Small Hydro Plants (“PCHs”) and plants generating from wind energy and biomass.
- ❖ Contract periods:
  - Hydro: 30 years
  - Biomass: 15 years
  - Wind: 20 years

# Power Generation – Brazil's Installed Capacity (% in 2009)

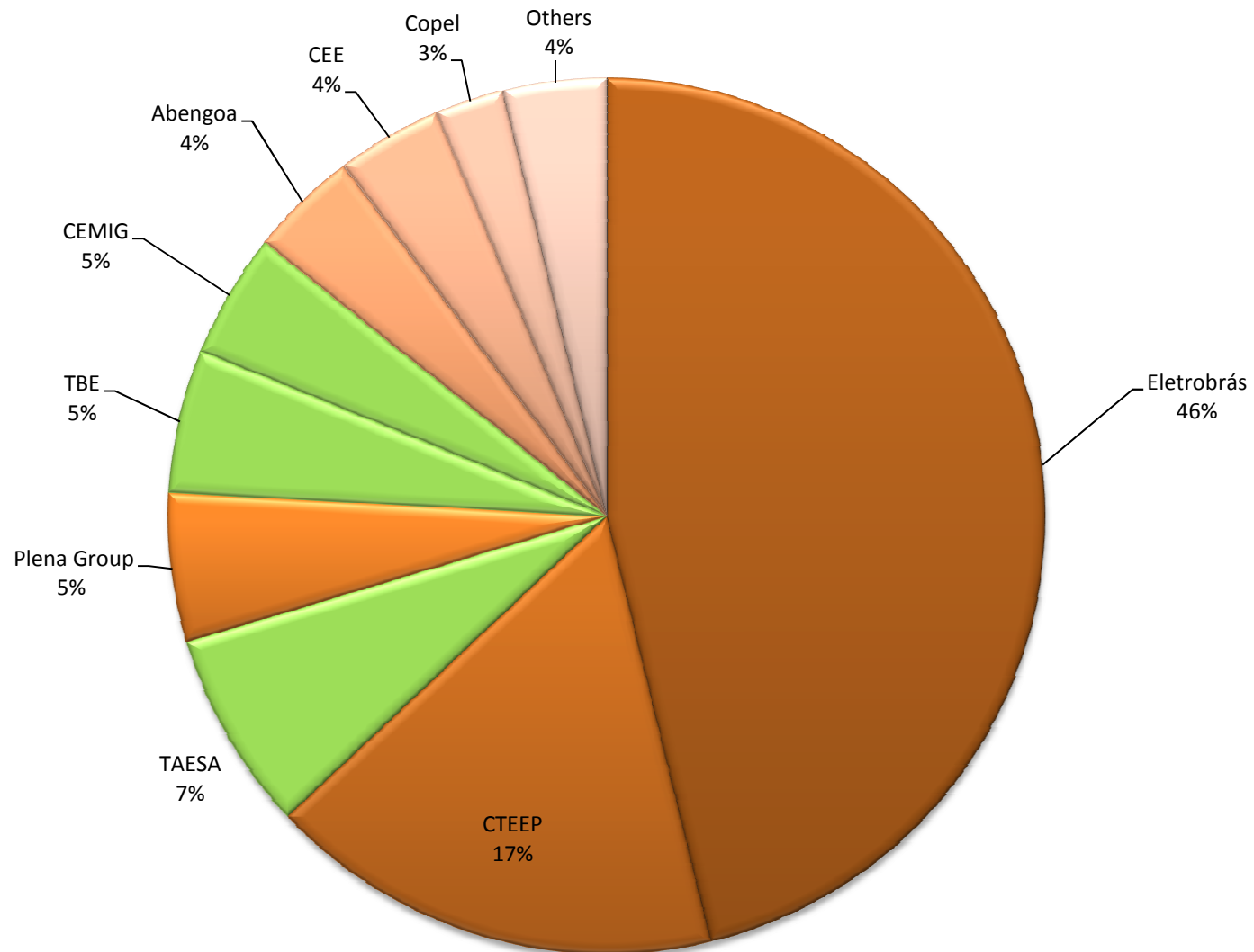


Source: Cemig  
Excludes Itaipu

# Power Transmission: Brazil



## Transmission (% of 2009 RAP)



Source: Cemig

# 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.

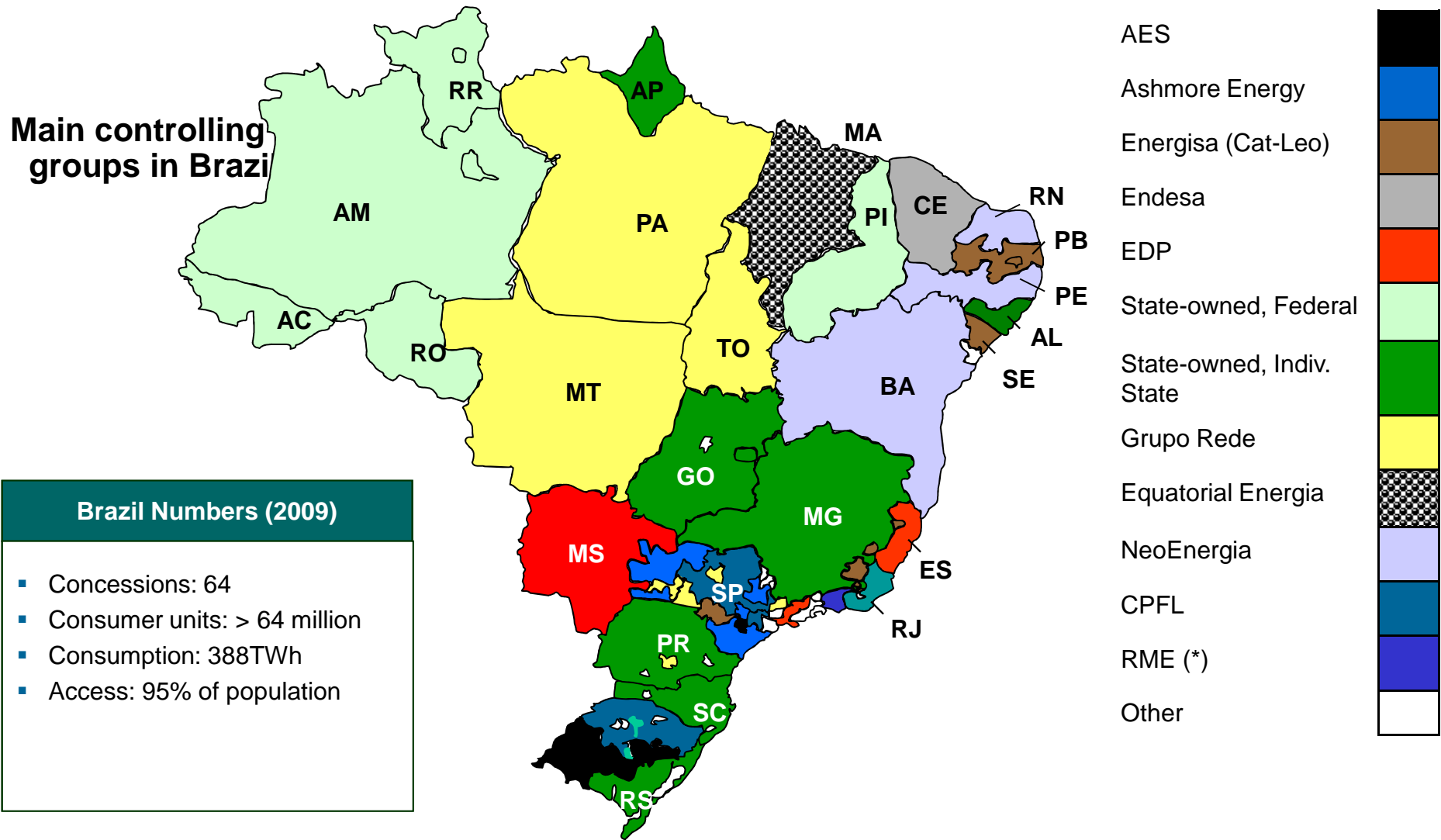
# Transmission network expansion

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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 (2009)**

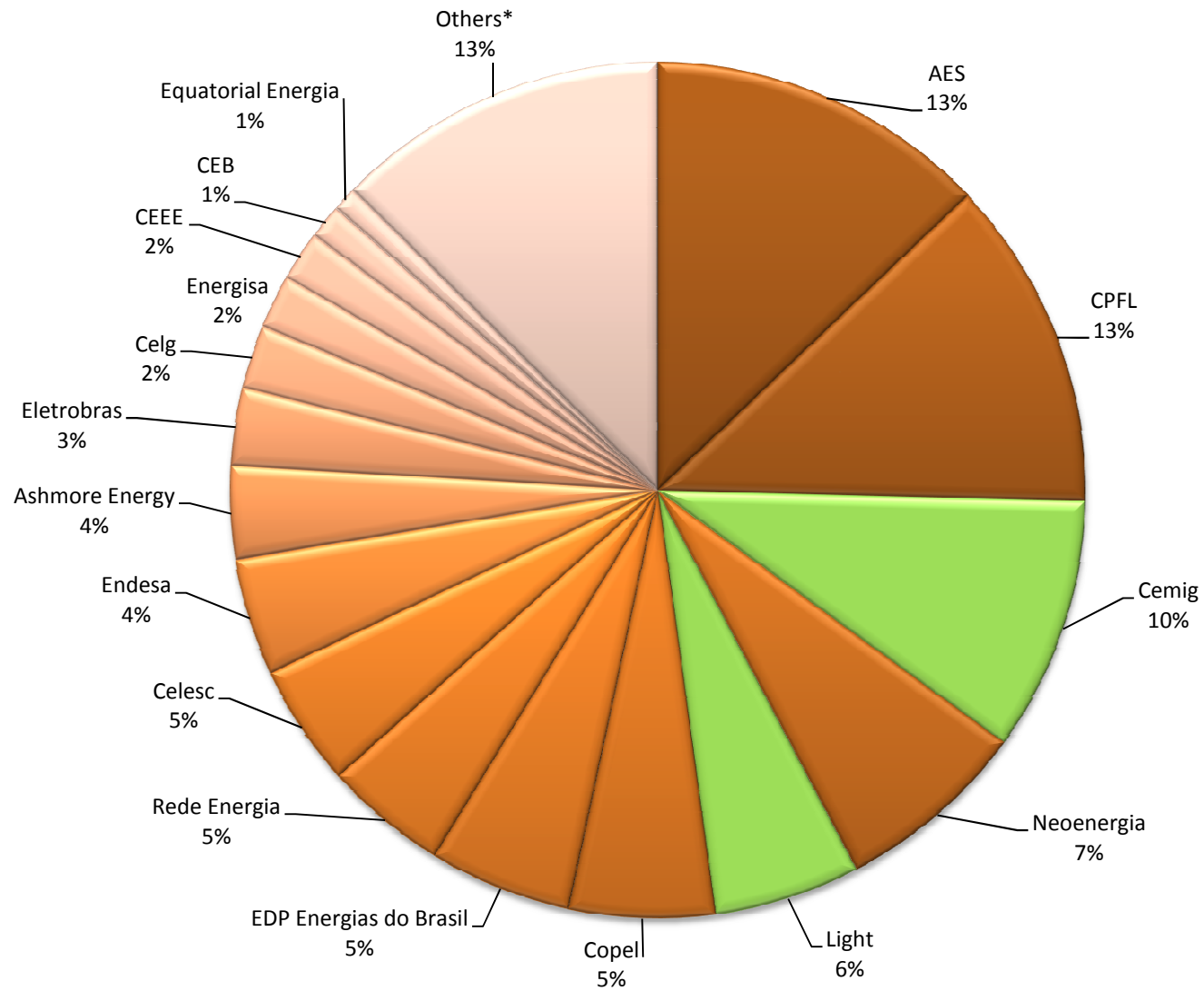
- Concessions: 64
- Consumer units: > 64 million
- Consumption: 388TWh
- Access: 95% of population

Source: Aneel, EPE

(\*) Cemig has 13% stake



# 2009 Distribution – Transported Energy (%)



Source: Cemig

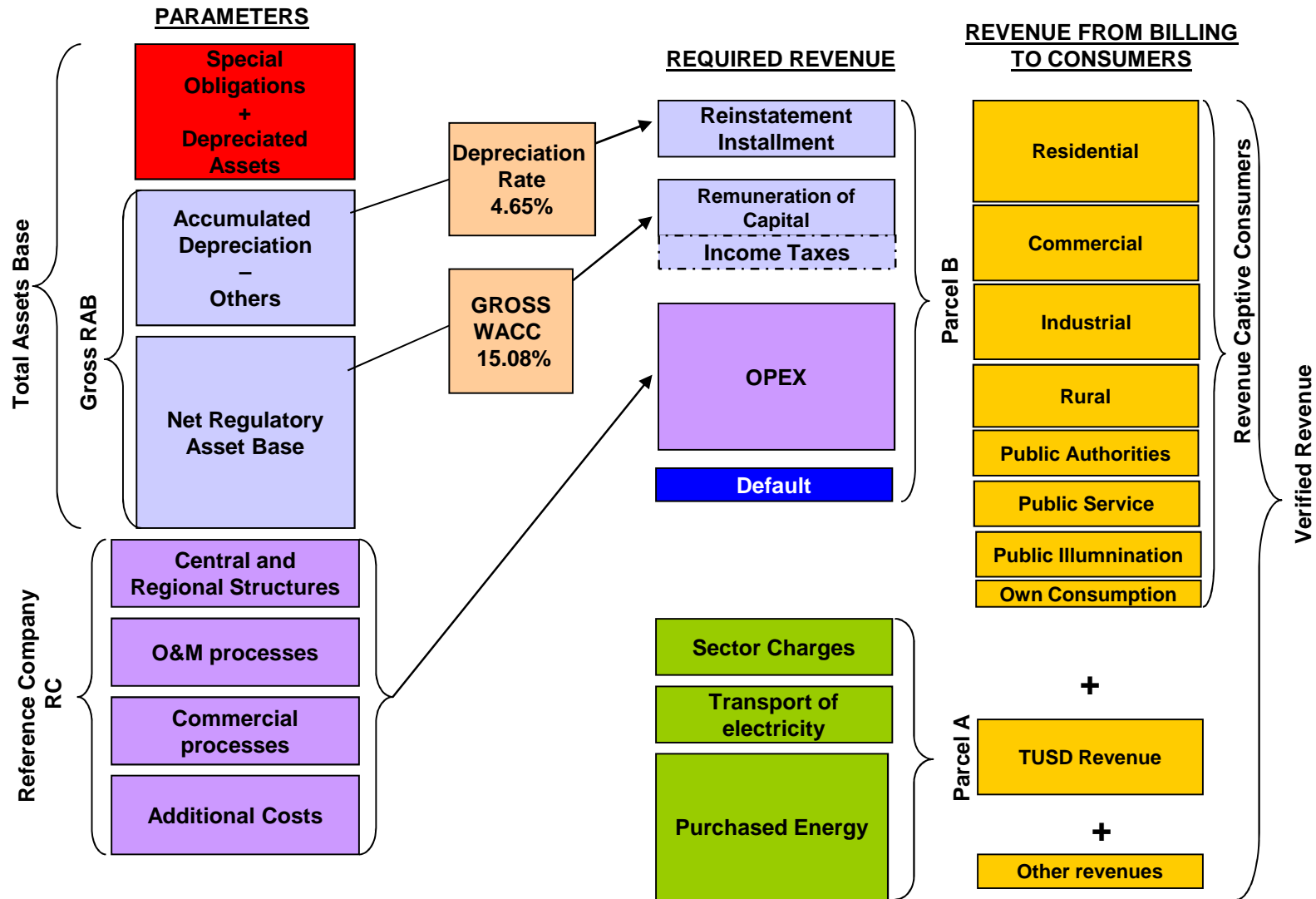
# Electricity Distribution business is the most regulated one

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- Allowed return on asset approach:
  - Benchmark WACC: 9.95 (real)
- 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



# Appendix

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- Regulatory Framework
- Others

# The Collective Work Agreement for 2009–2010



- ✓ The conditions negotiated with the Unions took the following factors into account:
  - the Tariff Review of Cemig D (Cemig Distribution), which reduced its revenues by 20.81%;
  - the Tariff Review of Cemig GT's (Cemig Generation and Transmission) transmission assets, which increased its revenues by 5.35%; and
  - the lower volume of sales caused by the effects of the financial crisis on industrial clients.
- ✓ **The Salary Agreement included:**
  - increase of salaries by 4.88%;
  - employees' share in the profits for 2009 to total approximately R\$ 210 million; and
  - payment in March 2010 of an advance against the profit shares for that year, in the approximate amount of R \$60 million.
- ✓ **Taking into consideration the tariff reviews and the reduction in sales volume, mentioned above, the payment of profit shares in 2009 is approximately R\$ 160 million less than in 2008, and R\$ 245 million less than in 2007.**

# 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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