CEMIG

A Melhor Energia do Brasil.

# Successful Strategy

**Performance reflects balanced portfolio structure**

August, 2011

CIG LISTED NYSE

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# Disclaimer

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

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

Important factors that can lead to significant differences between actual results and projections about future events or results include Cemig's business strategy, Brazilian and international economic conditions, technology, Cemig´s financial strategy, changes in the energy sector, hydrological conditions, conditions in the financial 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 | Growth in EBITDA 2005-10 | Market cap of US$ 12.9(1) B. | Role in industry |
|---|---|---|---|
| #1 | +49% | #3(2) | Leading consolidator |

In the Power Industry since 1952

(1) As of May 30th, 2011
(2) In the Power Industry

# Cemig: Strength in Numbers (1)

| | |
|---|---|
| Number of power plants | 66 |
| Total installed capacity | 6,896 MW |
| Locations in Minas Gerais State | 5,415 |
| Size of concession area vs. France | Larger |
| Electricity Distribution lines | 485,046 km |
| Power Transmission lines(2) | 9,685 km |



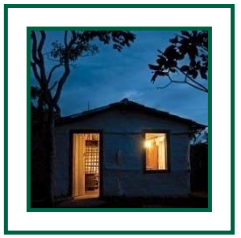
(1) As of March 31, 2011
(2) Includes Abengoa

# Cemig at a Glance

- Based in State of Minas Gerais, controlling shareholder
  - growing throughout Brazil and Chile
- Strong financial profile:
  - 2010 - Net revenues: R$ 12.9B EBITDA: R$ 4.5B
  - 1Q2011 - Net revenues: R$ 3.4B EBITDA: R$ 1.3B
- Highest liquidity in the sector
  - listed on 3 stock exchanges New York, São Paulo, Madrid
  - More than 114,000 shareholders in 44 countries
  - Average Daily Trading Volume in 2010:
    - R$42M in Bovespa
    - US$32M in NYSE
- Solid dividend policy
  - Minimum 50% payout ratio
  - Every two years, may pay extra dividends, if cash conditions permit
- 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

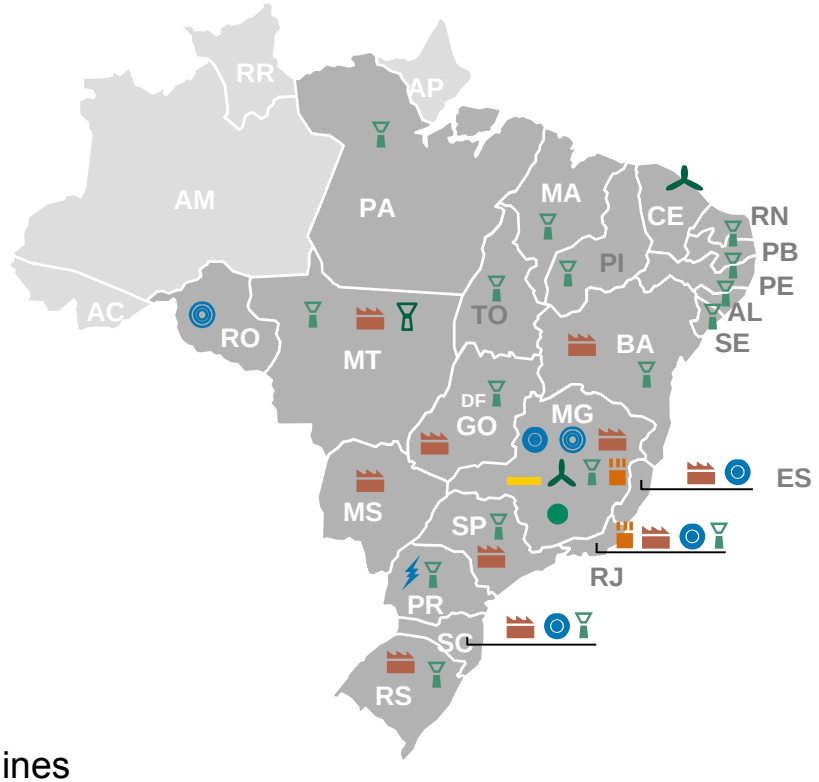
# An Emerging Powerhouse Economy

| | |
|---|---|
| Latin American economy | #1 |
| Ranking of economy in world | #7 |
| GDP 2010 | US$2.2 Trillion |
| GDP growth 2010 | 7.5% |
| Population | 191M |
| Power industry net revenue - 2010 | >US$145 Billion |
| Investment grade by Moody's, Fitch and S&P | |

# Largest Integrated Utility in Brazil

#1 Electricity distributor* + #3 Largest power transmission group + #3 Largest power generation group → **#1 Integrated utility**

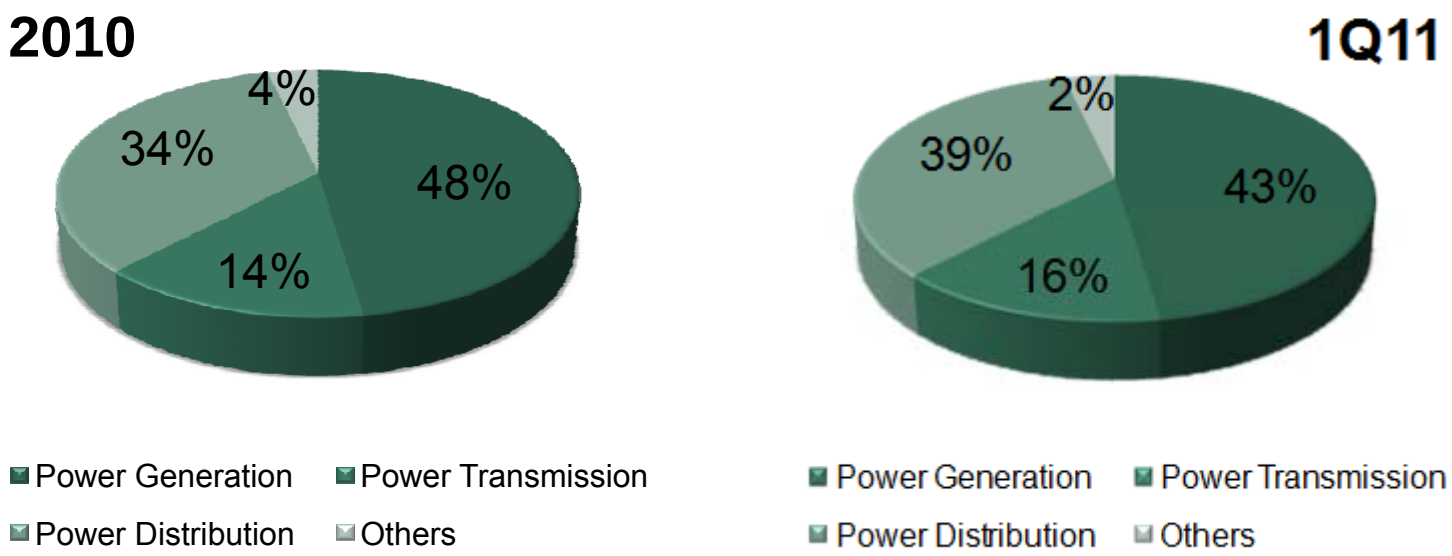
- Power Generation
- Power Generation (under construction)
- Power Transmission
- Power Transmission (under construction)
- Electricity Distribution
- Cemig "Free Consumer" Clients
- Purchase of Energy
- Wind Power Generation
- Natural Gas Distribution
- Telecom Backbone Provider




* in terms of length of electricity distribution lines

# Diversified, Low Risk Business Portfolio

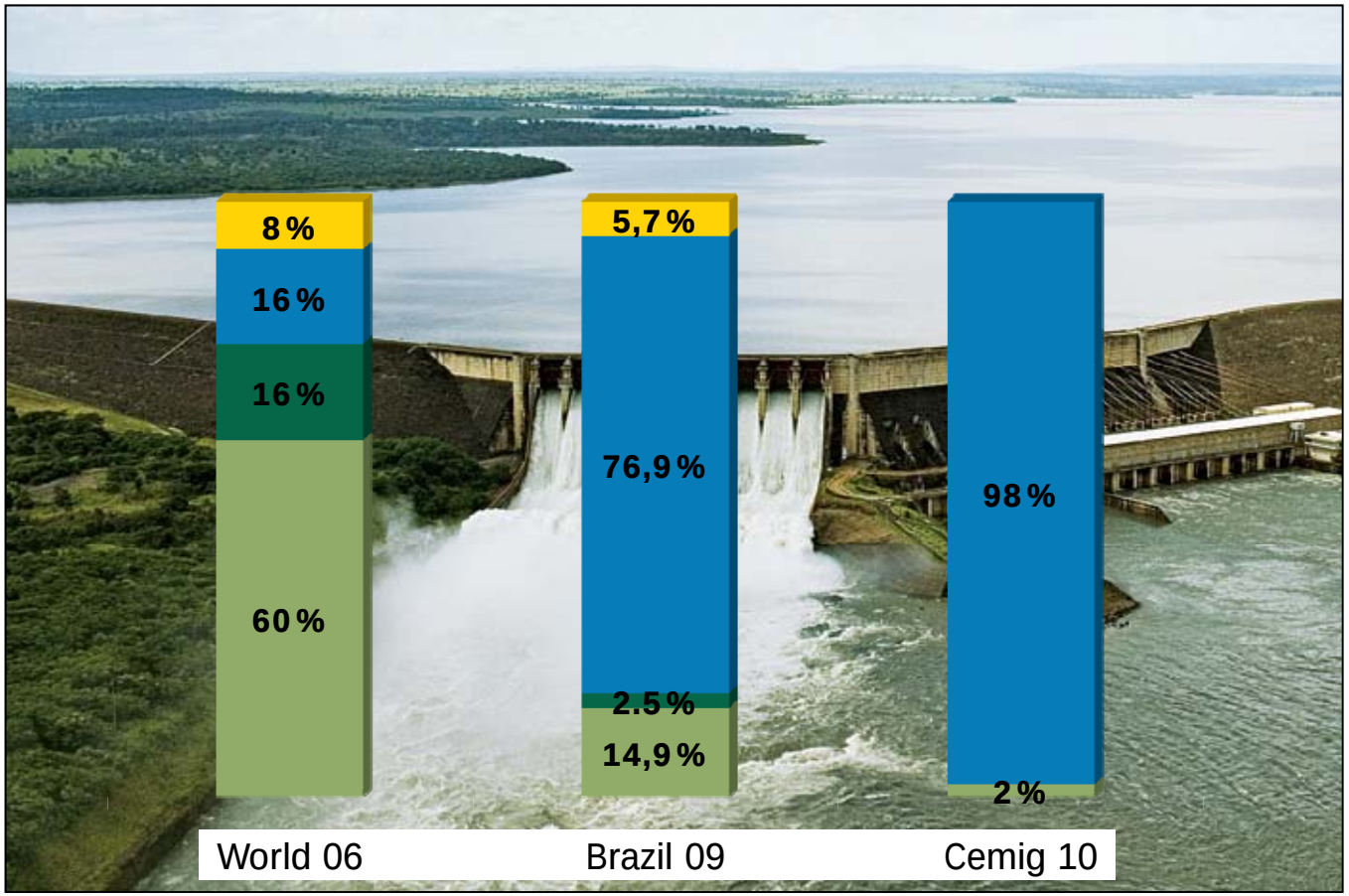
## Breakdown of EBITDA




Most of revenues are inflation protected

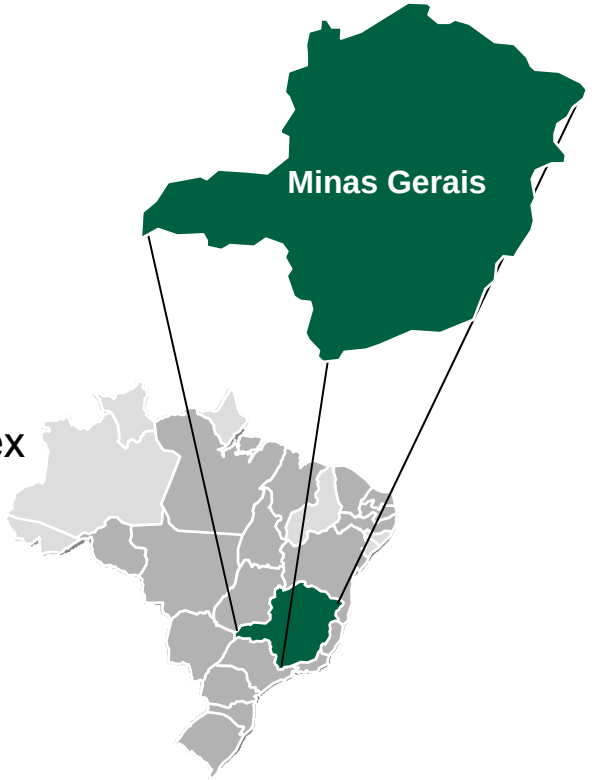
# Leader in Renewable Hydro Power Energy

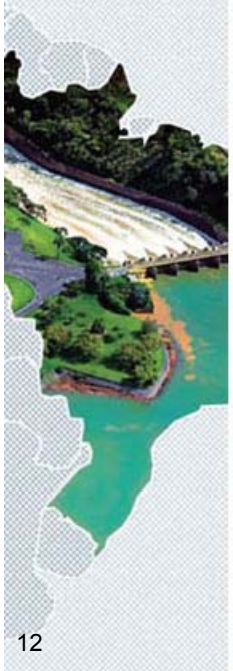
## Power Generation by Source



# 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
  - Included in the ISE – Bovespa sustainability index since 2005
- ✓ Present in the Global Dow Index



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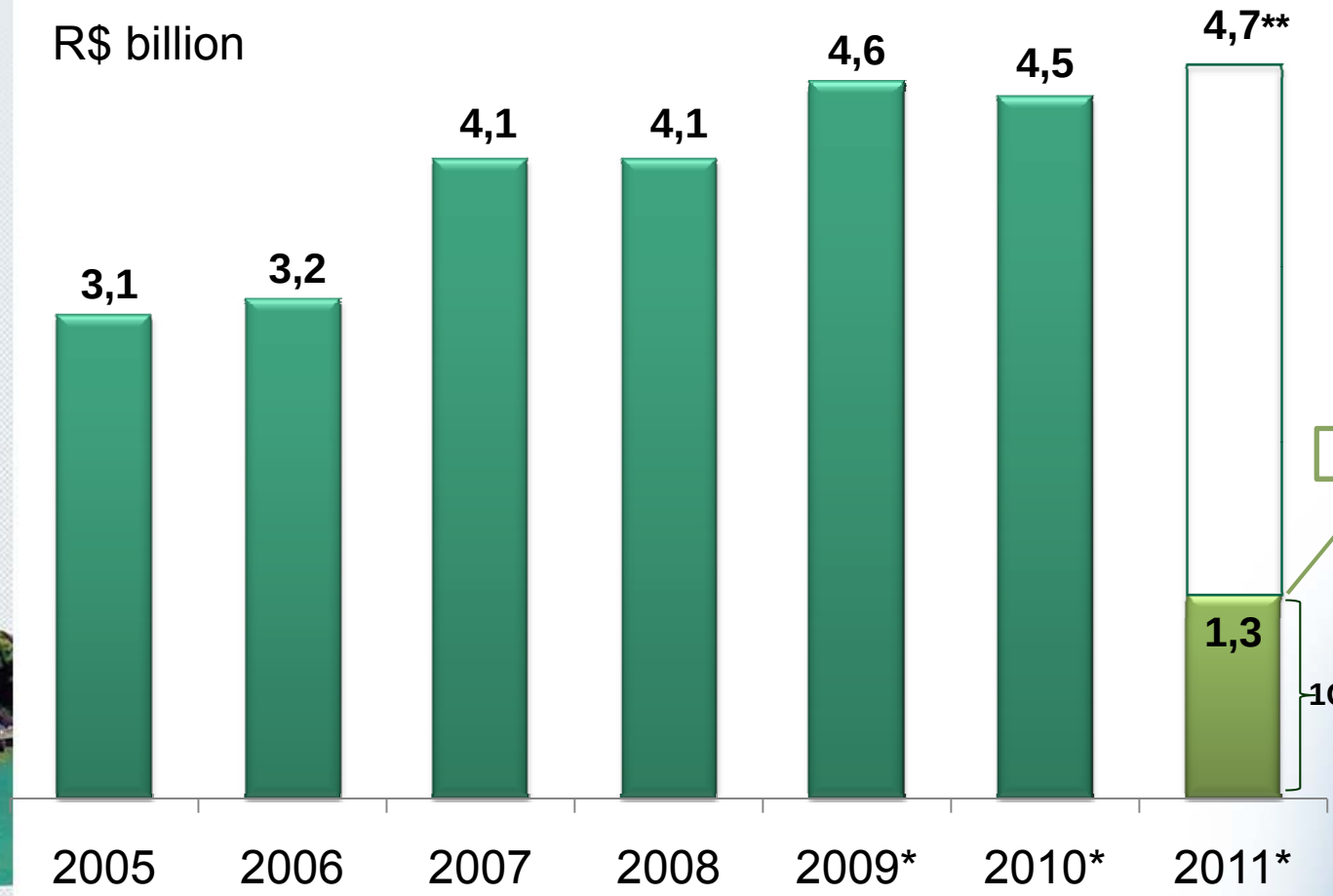
The performance

The growth

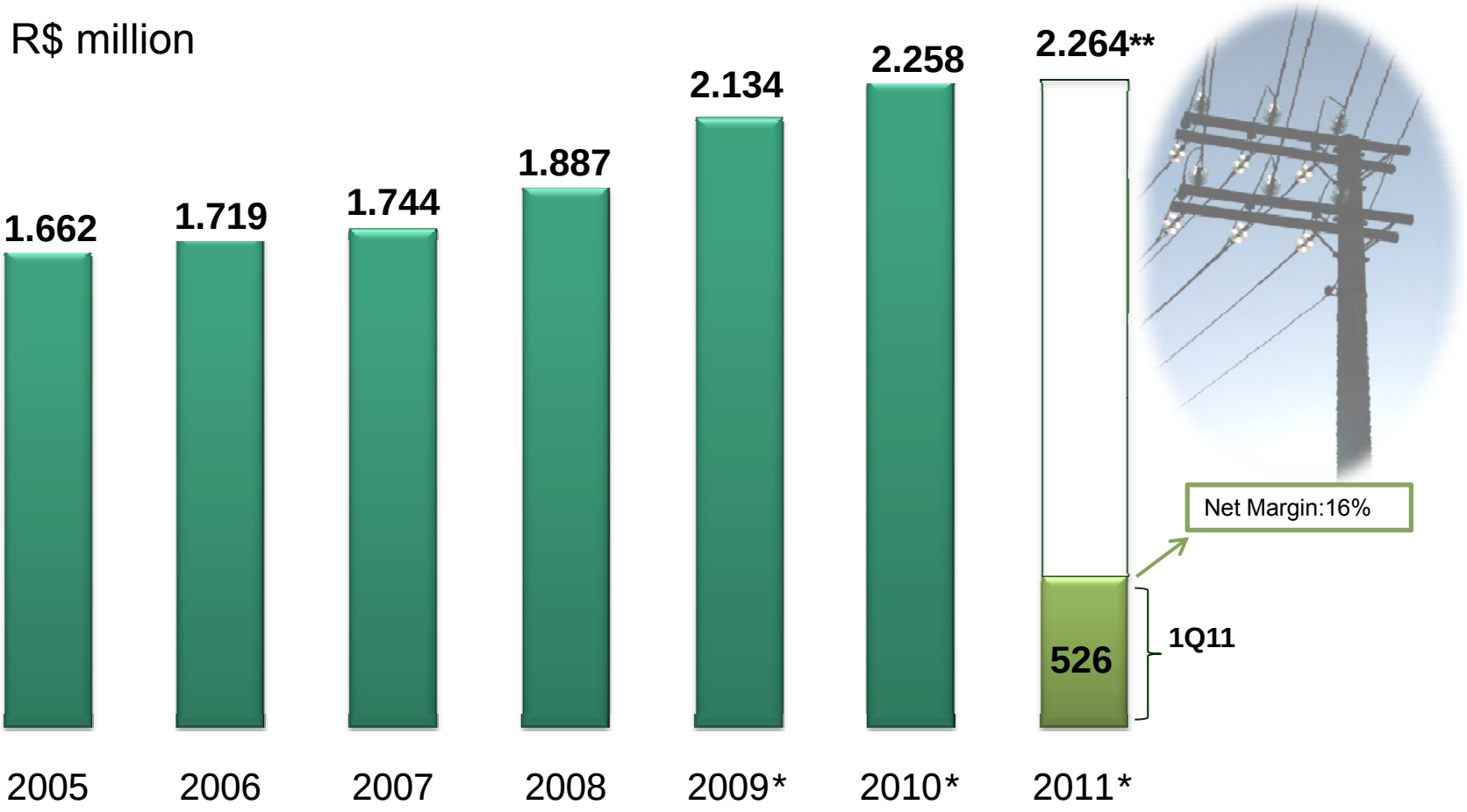


# Growth in EBITDA




(*) Reflect the adoption of IFRS ( International Financial Reporting Standards)
(**) Last 12 months' Ebitda

# Net Income Continues to Expand

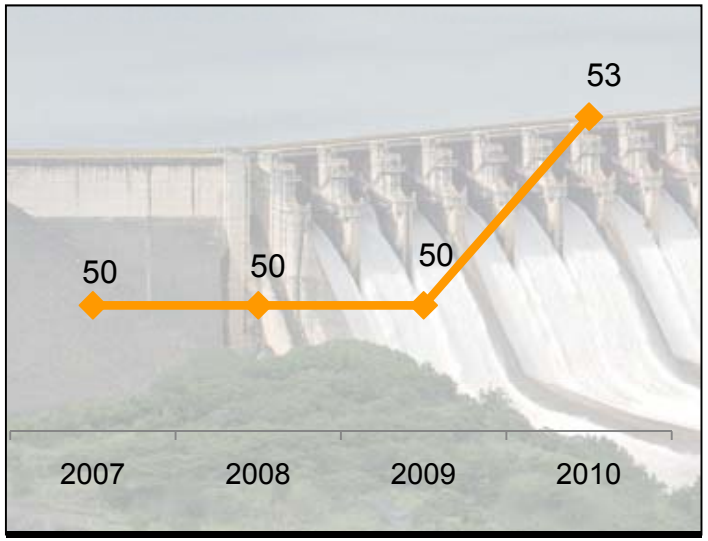




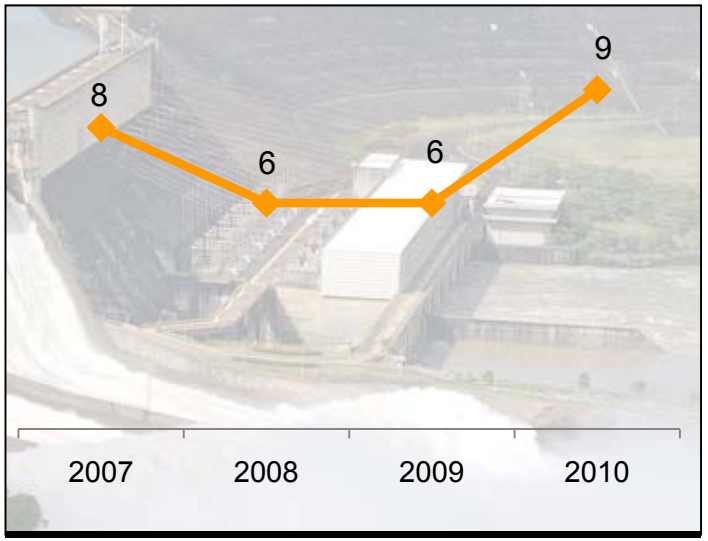

(*) Reflect the adoption of IFRS ( International Financial Reporting Standards)
(**) Last 12 months' Ebitda

# Attractive and Secure Dividend Payout (1)

Dividend Payout
(% of Net Income)




Dividend Yield
(%)




- ✓ Dividends paid in 2010 reach R$ 1.8 billion
  - Ordinary dividends R$ 931mn, paid in equal parts in June and December 2010
  - Extraordinary dividends: R$ 900 million, paid in December 2010
- ✓ Approved the proposal for 2010 Net Income distribution:
  - *52.97% of the net profit - R$ 1.196 billion to payment of dividends - R$1.75/share*

(1) Dividends approved for the year net income, paid in the coming year in semi-annual basis

# Strong Balance Sheet to Support Growth

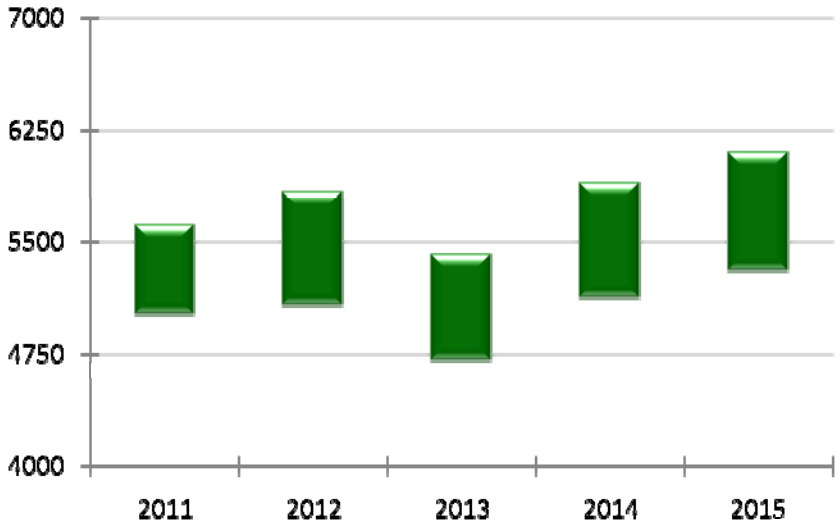
( March 31th, 2011)

| | |
|---|---|
| Net debt to EBITDA | 2.2X |
| Debt in foreign currency(*) | 1% |
| Cash on hand | R$2.7B |
| Net Revenue 1Q11 | R$ 3.4B |

*Net of financial hedging

# EBITDA guidance

## EBITDA guidance(1) 2011-2015 R$ million




| Year | Lower limit | Upper limit |
|---|---|---|
| 2011 | 5,012 | 5,616 |
| 2012 | 5,074 | 5,838 |
| 2013 | 4,707 | 5,416 |
| 2014 | 5,123 | 5,895 |
| 2015 | 5,302 | 6,097 |

Consolidated includes the amounts of the holding company and affiliated companies

(1) Constant currency as of June 2011.

# The Cemig Story – Agenda

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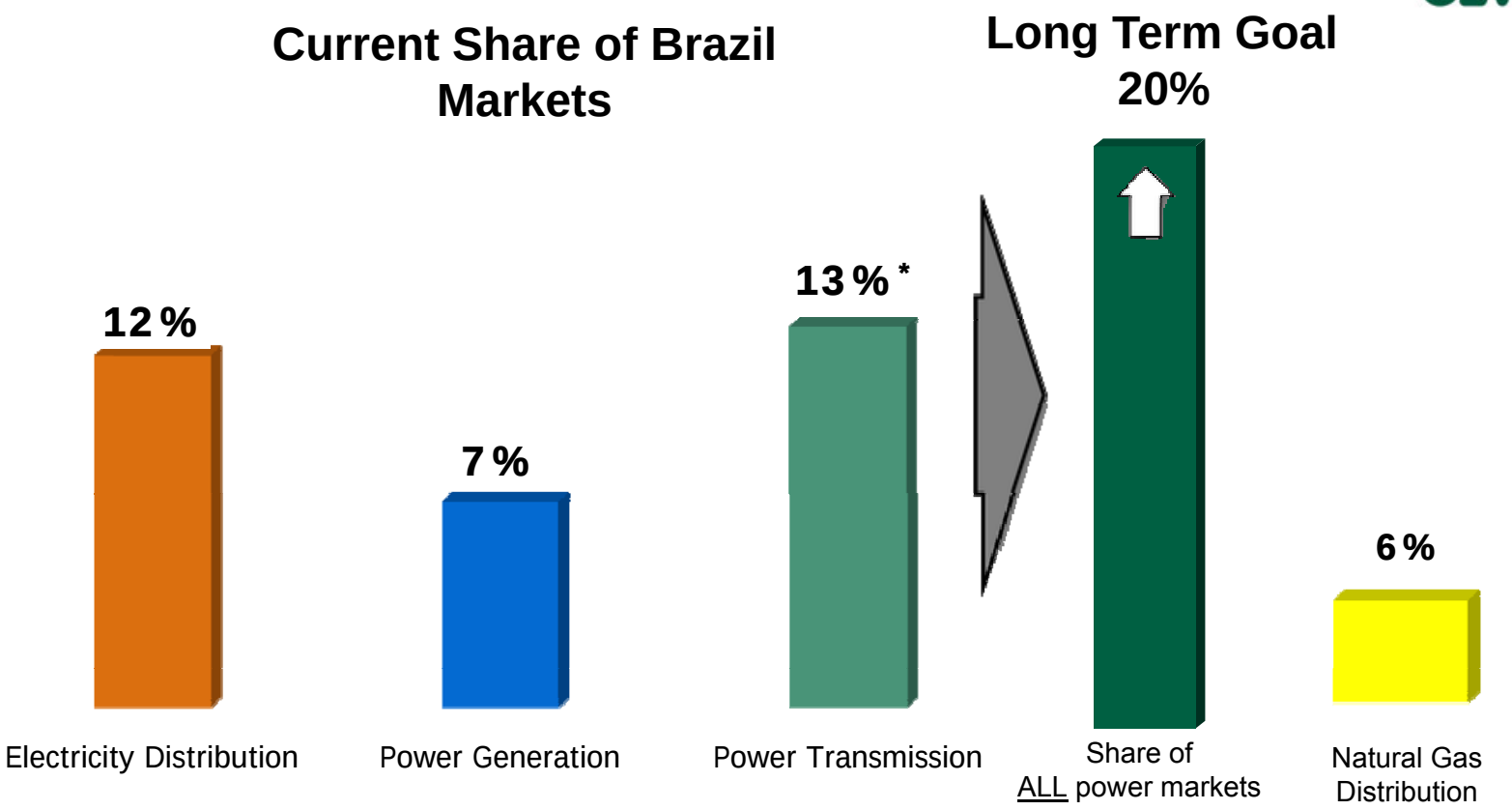
The performance

The growth



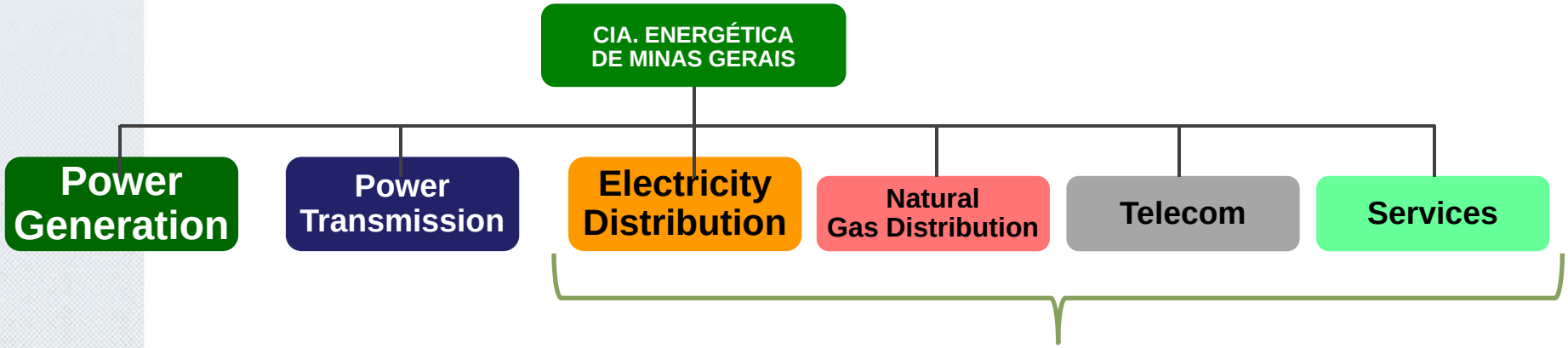
# Clear Long Term Goals



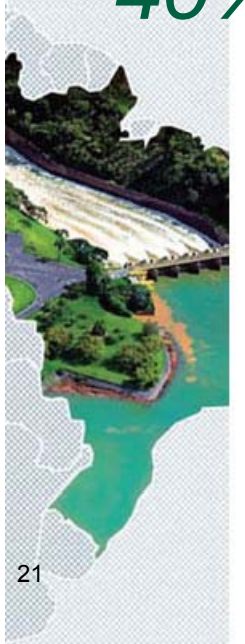

- Brazilian generation market – (% of total installed capacity)
- Brazilian transmission market – (% of Permitted Annual Revenue (RAP))
- Brazilian distribution market – (% of all electricity distributed to free and captive clients in Brazil)

* Includes Abengoa

# Target Ebitda contribution by business in the long run

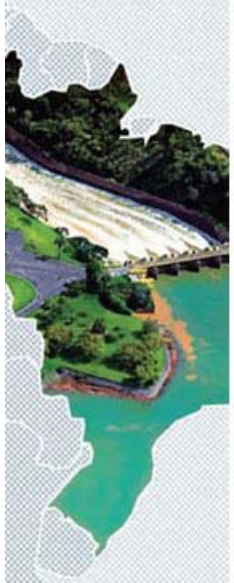



*40%* *20%* *40%*



# Growth Drivers

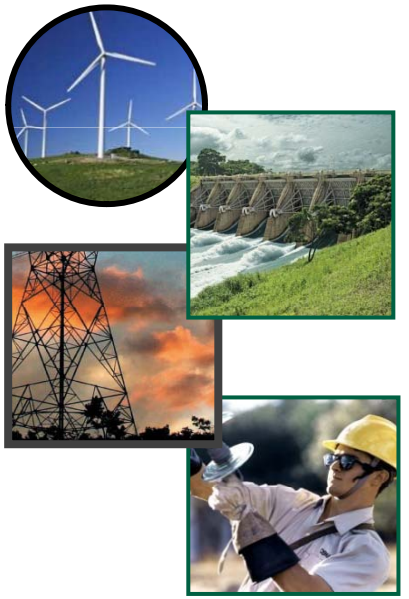
| | | |
|---|---|---|
| 1 | Leverage price increases |  |
| 2 | Improve operating efficiency |  |
| 3 | Geographic expansion |  |

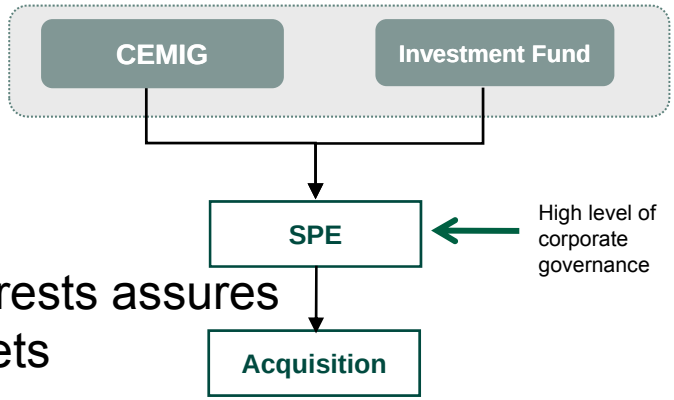


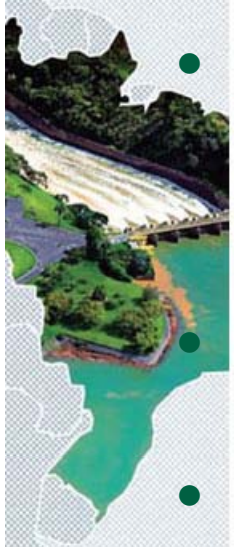
# Record of Successful Acquisitions

## 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.



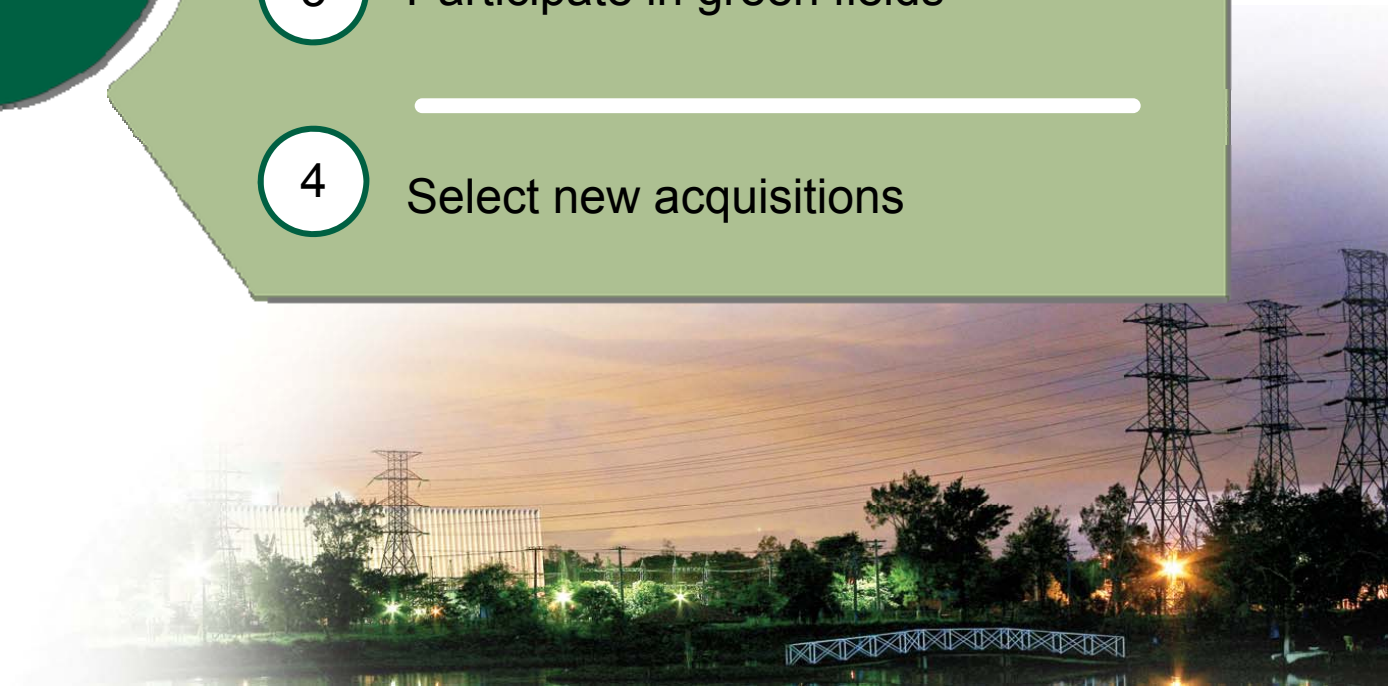


# Clear Priorities for 2011

**Priorities**

1. Execute cost reductions
2. Integrate Terna and Light acquisitions
3. Participate in green fields
4. Select new acquisitions



# Why Invest in Cemig


CEMIG
A Melhor Energia do Brasil.

A Melhor Energia do Brasil.

# Appendix

# Agenda

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

# Brazilian GDP growth is **driven by domestic market**

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


## Economics

- Largest Latin America economy
- 7th largest world economy
- GDP (2010): US$ 2.1 trillion (+7.5%)
- Inhabitants: 191 million
- Area: 8.5 million km$^2$
- Currency(1): Reais (BRL) – US$1 = R$ 1.62
- Reserves(1): US$ 317 billion

## 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*: US$ 571 million
- Energy Efficiency: R$ 628 million

*Ethanol, Biodiesel and Alcohol pipeline

## Electric Power Industry

- Power Generation
  - ✓Installed Capacity(2): 107 GW
    76.9% Hydro; 10.7% Natural Gas; 2.9% Oil; 5.5% Biomass; 2.5% Nuclear; 1.3% Coal; 0.2% wind farm
- Power Transmission
  - ✓National Network(3): 102,000 km
  - ✓Peak Demand in 2009: 64.04 GWh/h
- Electricity Distribution
  - ✓Energy Consumption in 2009:388,204 GWh
    43% industries and 26% householders
  - ✓99% penetration countrywide
  - ✓More than 50% of South America
  - ✓Peak Demand comparable to UK

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

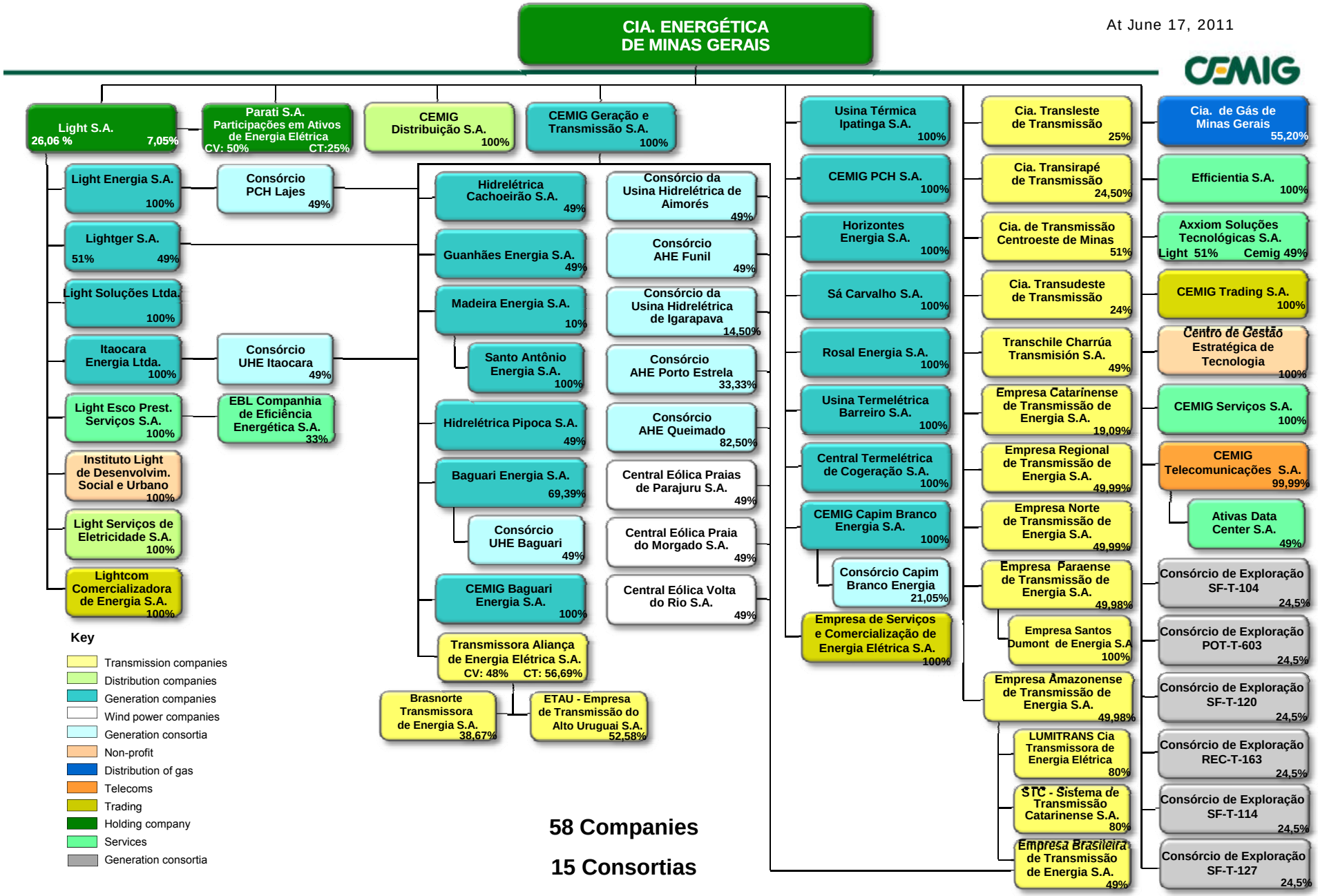
(1) As of May 20th, 2011

(2) As of September 30th, 2010

(3) As of June 30th, 2010

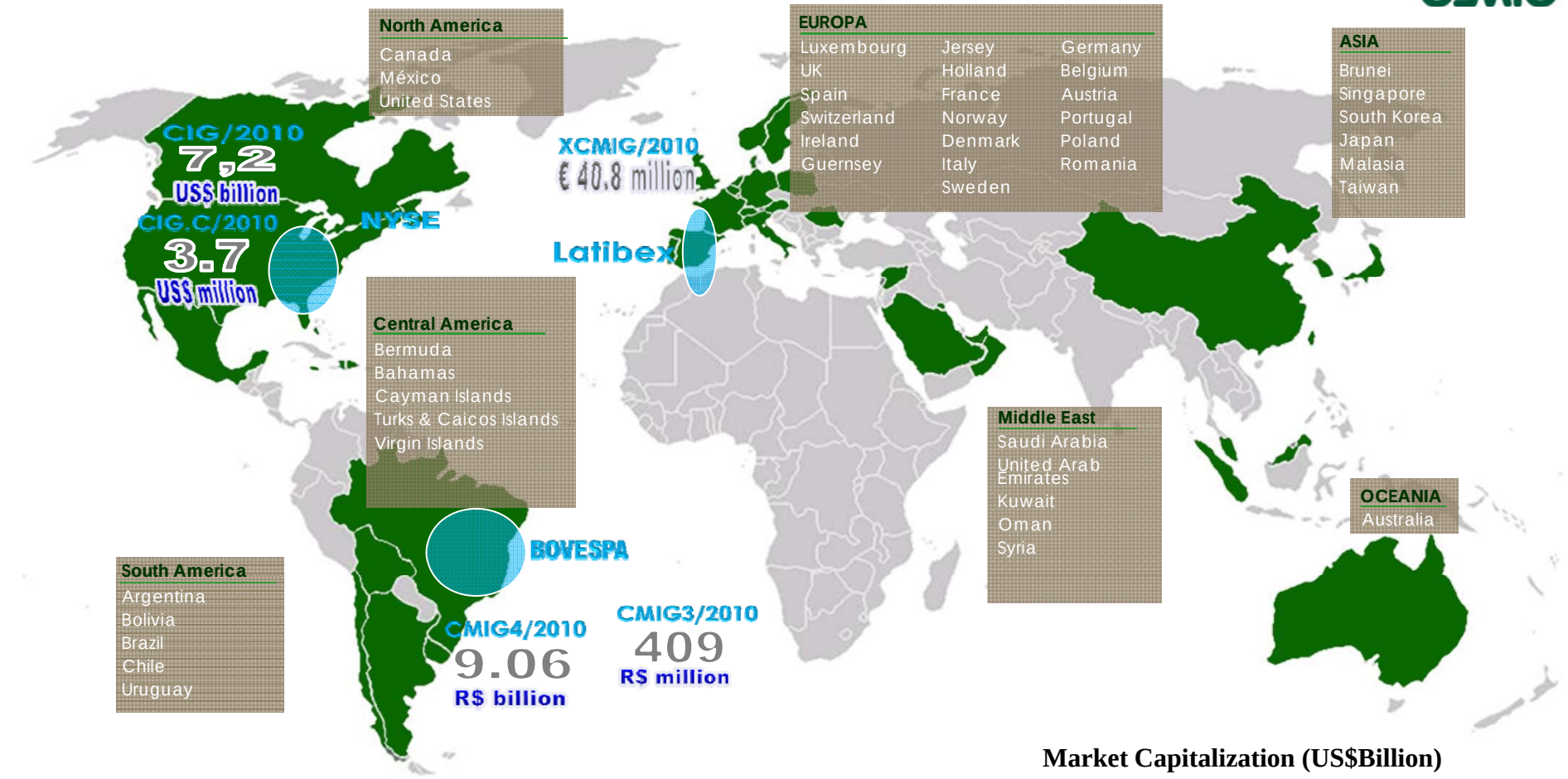
# Companies and Consortia of the Cemig Group

At June 17, 2011




VS = Voting stock TS= Total stock

# Strong shareholders base assures liquidity

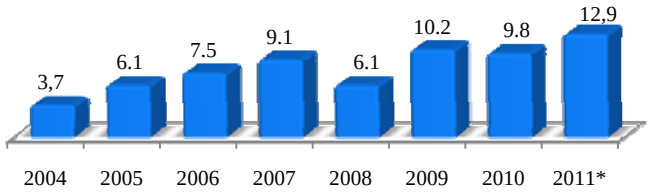



Average Daily Trading Volume – 2010

**Bovespa**: R$ 42 million
**NYSE**: US$ 32 million

- **Our Shares are traded in 3 Stock Exchanges**
- **More than 114,000 shareholders in 44 countries**

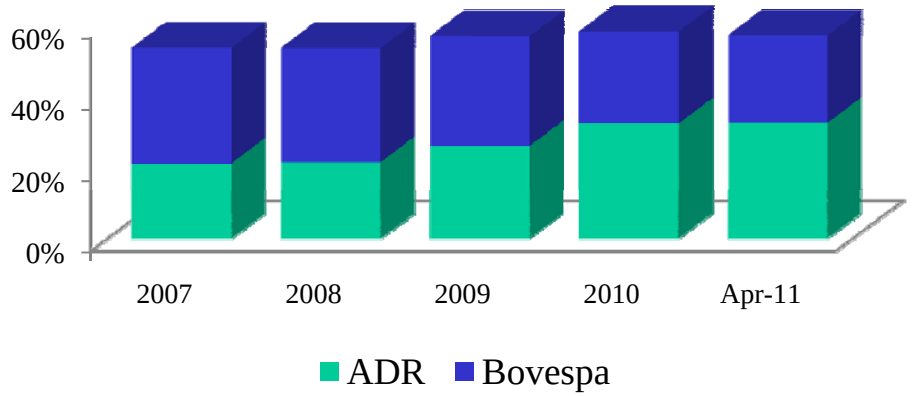
**Market Capitalization (US$Billion)**




(*) At May 30th, 2011

# Cemig: a global investment option

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




Preferred Share

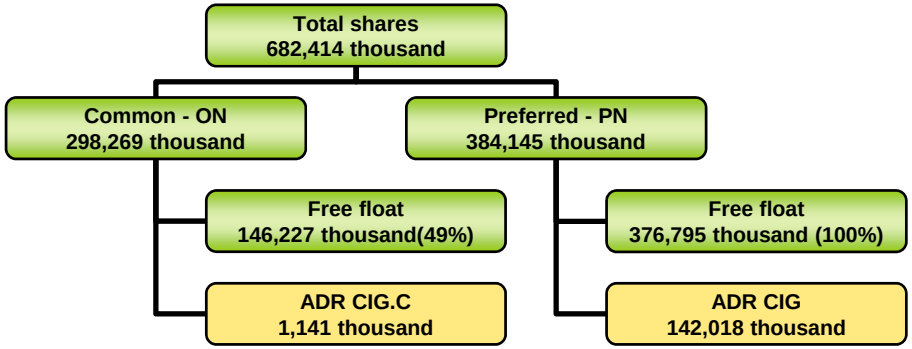
* **Free float = all shares in circulation except those held by the State of Minas Gerais.**

- The percentage of non-Brazilian investors in Cemig's stockholding base is growing every year.
  - Cemig has shareholders in more than 44 countries
  - The percentage of investors holding ADRs has increased by more than 50% in 4 years
- Cemig is one of only 3 Brazilian companies, and the only Latin American utility, in the Global Dow Index.

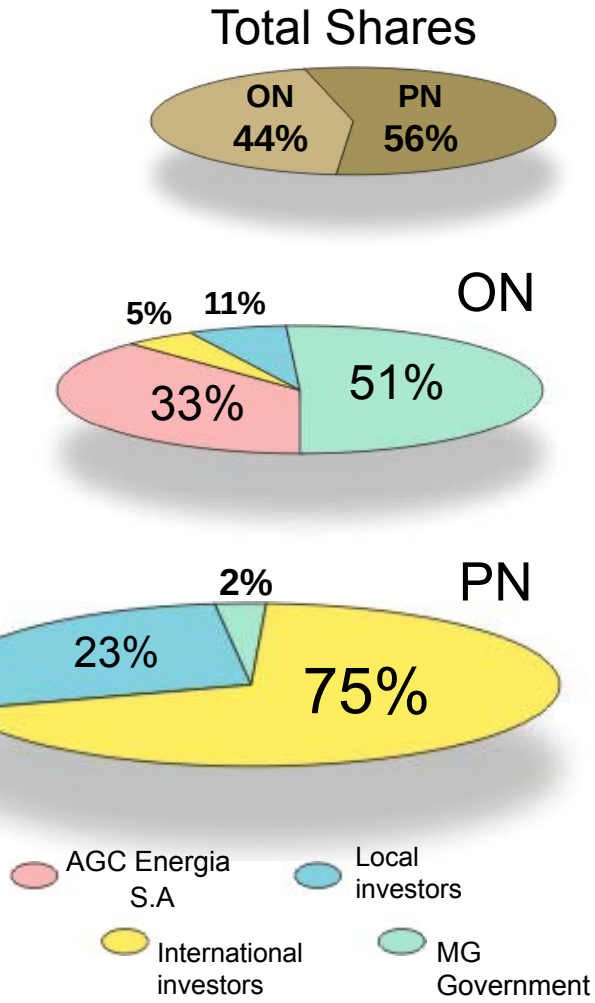
# The blend of shareholders provides long term perspective

- 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

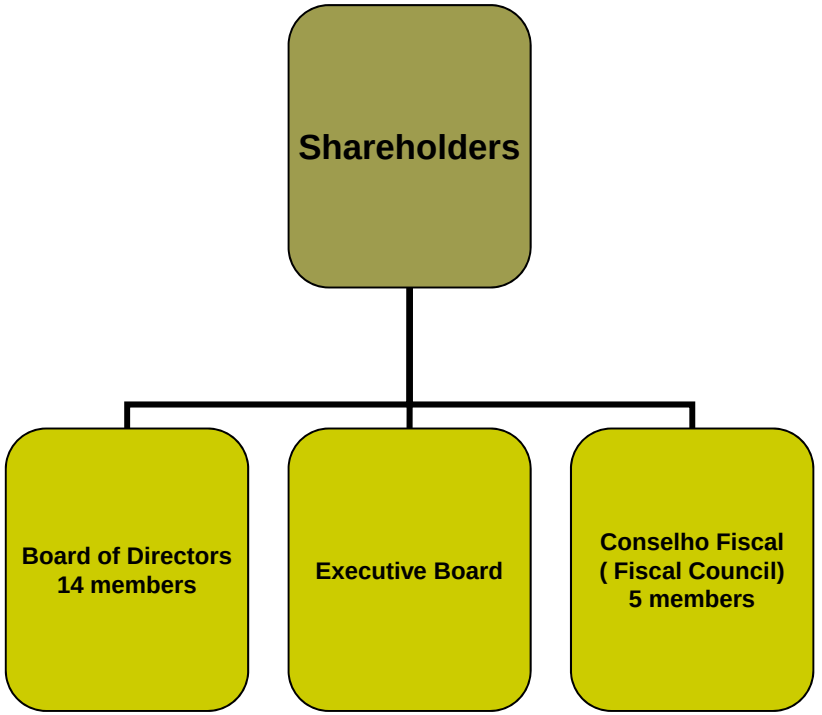



ADR outstanding approximately 20% of total shares and 36.97% of PN shares
1 ADR = 1 share in Bovespa
ON shares have voting rights

# Corporate Governance: implementation of best practices

## Highlights

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



# Leadership in sustainability, a core value at Cemig

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

# Why is Cemig Sustainable?

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

Dow Jones Sustainability Indexes
Member 2010/11

ISE
Índice de
Sustentabilidade Empresarial

# Global Compact

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

## The principles of the Global Compact

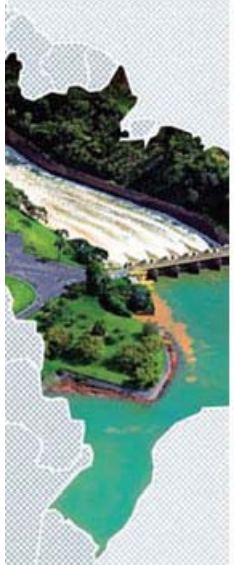
United Nations Global Compact

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**
9,685 Km*

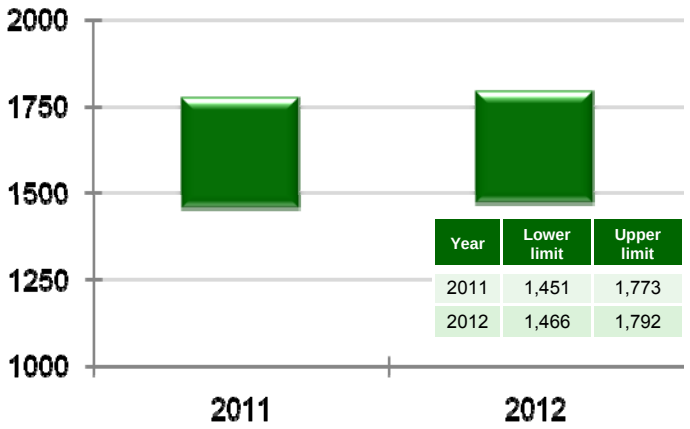
**Electricity Distribution**
485,046 Km

**Retail**
Largest distribution company

* Includes Abengoa

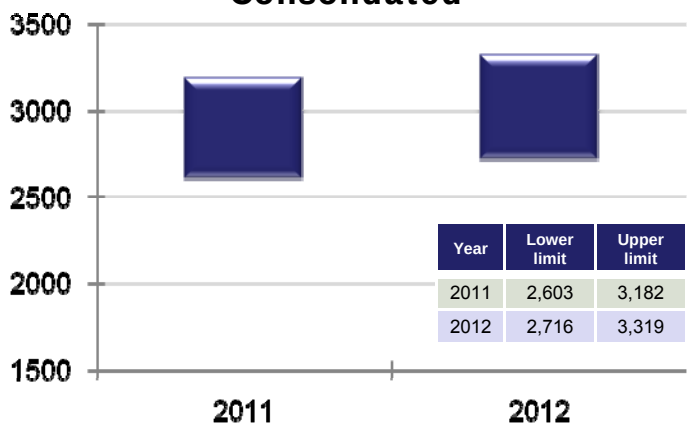
# EBITDA Guidance 2011-2012

## Cemig D



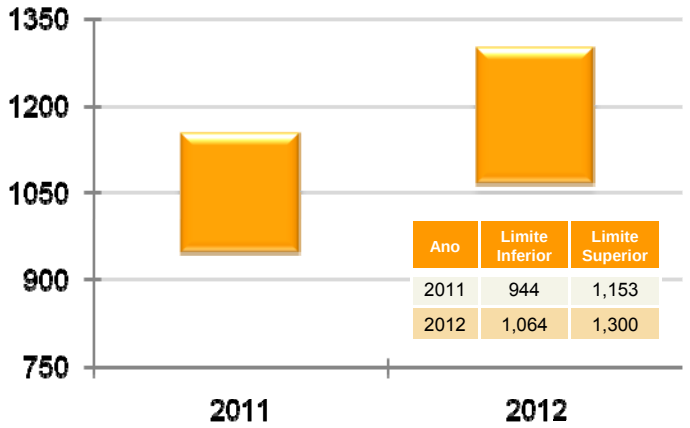

| Year | Lower limit | Upper limit |
|---|---|---|
| 2011 | 1,451 | 1,773 |
| 2012 | 1,466 | 1,792 |

## Cemig GT – Consolidated




| Year | Lower limit | Upper limit |
|---|---|---|
| 2011 | 2,603 | 3,182 |
| 2012 | 2,716 | 3,319 |

## Holdings




| Ano | Limite Inferior | Limite Superior |
|---|---|---|
| 2011 | 944 | 1,153 |
| 2012 | 1,064 | 1,300 |

Million R$ in constant prices as of June 2011

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

**Net Income per Company**

| Company | 1Q11 | % | 2010 | % |
|---|---|---|---|---|
| Cemig Geração/Transmissão(*) | 206 | 39% | 861 | 38% |
| Cemig Distribuição | 143 | 27% | 441 | 20% |
| Light | 43 | 8% | 133 | 6% |
| Gasmig | 21 | 4% | 60 | 3% |
| TBE | 47 | 9% | 141 | 6% |
| TAESA | 40 | 8% | 223 | 10% |
| Others | 26 | 5% | 399 | 18% |
| Cemig Consolidated | 526 | 100% | 2,258 | 100% |

**Ebitda per Company**

| Company | 1Q11 | % | 2010 | % |
|---|---|---|---|---|
| Cemig Geração/Transmissão(*) | 571 | 44% | 2,043 | 45% |
| Cemig Distribuição | 388 | 30% | 1,177 | 26% |
| Light | 114 | 9% | 376 | 8% |
| Gasmig | 32 | 2% | 67 | 1% |
| TBE | 61 | 5% | 194 | 4% |
| TAESA | 75 | 6% | 311 | 7% |
| Others | 51 | 5% | 375 | 8% |
| Cemig Consolidated | 1,292 | 100% | 4,543 | 100% |

(*)Excludes TAESA

# Financial Highlights

| Income Statement – consolidated (R$ million) | 1Q11 | 1Q10 | Change % |
|---|---|---|---|
| Net Revenue | 3,387 | 2,878 | 18% |
| EBITDA | 1,292 | 1,164 | 11% |
| EBITDA Margin % | 38% | 40% | -6% |
| Net Income | 526 | 520 | 1% |
| Net Margin % | 16% | 18% | -11% |

| Balance Sheet – consolidated (R$ million) | 1Q11 | 1Q10 | Change % |
|---|---|---|---|
| Cash and Cash Equivalents | 2,733 | 4,487 | -39% |
| Total Assets | 34,309 | 33,556 | 2% |
| Total Financial Debt | 13,317 | 13,226 | 1% |
| Shareholders´ Equity | 12,003 | 11,476 | 5% |
| Net Debt(1) | 10,584 | 8,739 | 21% |
| Net debt / (stockholders' equity + net debt) | 46,9% | 43,2% | 8% |

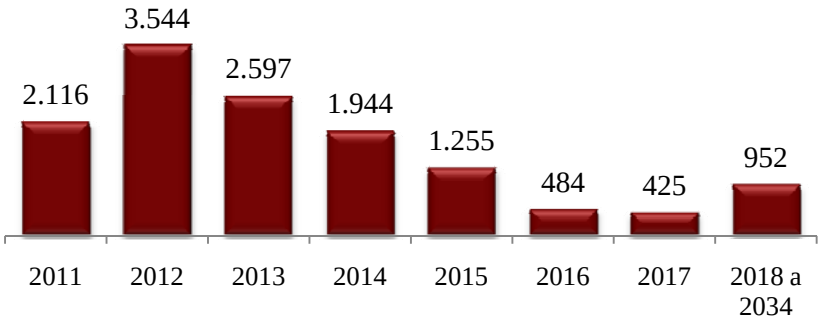
- ✓ Fundamentals remain solid
- ✓ Financial discipline
- ✓ Financial Management focused on long term

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

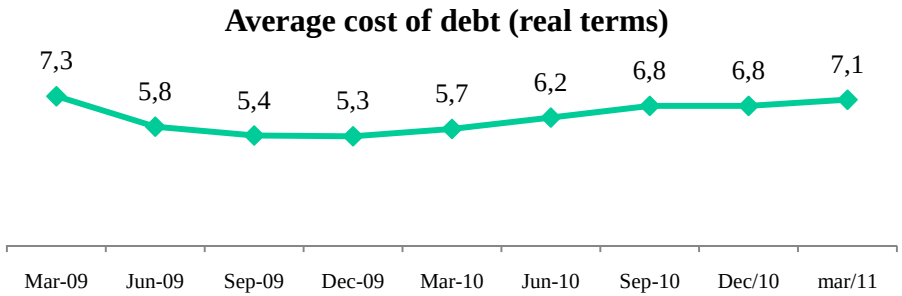
# Debt profile lengthened with reduction of costs

## Maturities timetable (R$ Million)

Average tenor: 3.5 years




✓ Emission of debentures has promoted the lengthened of our debt from 3 to 3.5 years




✓ Average cost of debt: 7.1% p.a. at constant March 2011 prices, including stockholdings

✓Cost of debt shows excellent credit quality

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

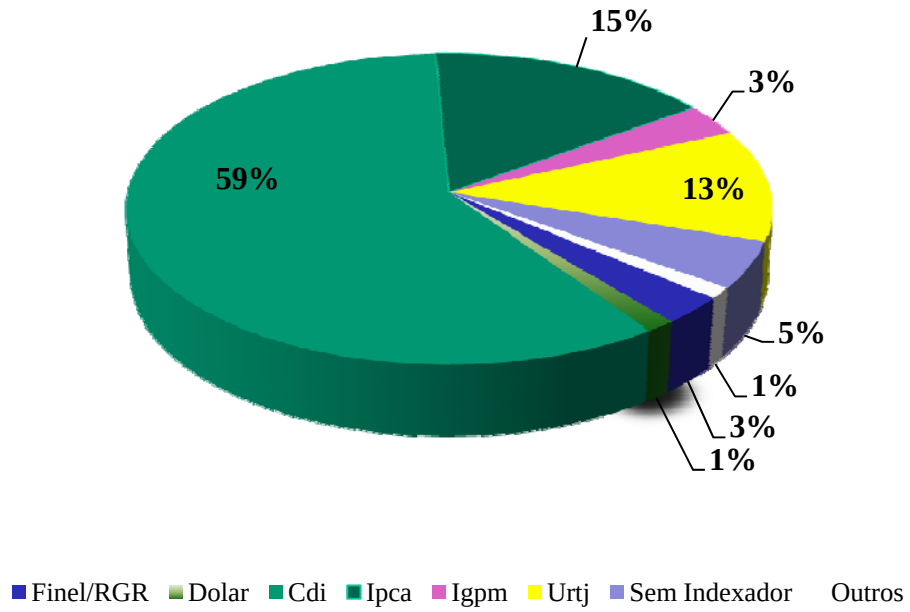
**Consolidated debt, March 31, 2011 (R$ Million)**

| | CEMIG Consolidated | | CEMIG GT | | CEMIG D | |
|---|---|---|---|---|---|---|
| Total debt | 13,317 | | 7,639 | | 3,115 | |
| Debt in foreign currency | 189 | 1% | 3 | - | 122 | 4% |
| Net debt (1) | 10,584 | | 6,132 | | 2,651 | |
| EBITDA / interest | 4.07 | | 6.61 | | 4.05 | |
| Net debt / EBITDA | 2.2 | | 2.5 | | 2.37 | |
| Net debt / (shareholders' Equity + Net debt) | 46,9% | | 53,7% | | 51,3% | |

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

# **Financial discipline** to lower debt cost and reduce FX exposure

## Main indexors – 1Q11




## Main Creditors (R$ million) – 1Q11

| | | |
|---|---|---|
| Debentures Holders | 5,594 | 42% |
| Banco do Brasil | 3,141 | 24% |
| BNDES | 1,388 | 10% |
| Banco Itaú BBA(*) | 896 | 7% |
| Bradesco(*) | 976 | 7% |
| Unibanco | 321 | 2% |
| Eletrobrás | 391 | 3% |
| Others | 610 | 5% |
| Total | 13,317 | 100% |

(*) – Includes FIDC

* URTJ - Reference Unit Interest Rate.

# Superior credit capacity recognized by the major rating agencies

Fitch Ratings — 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

- 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

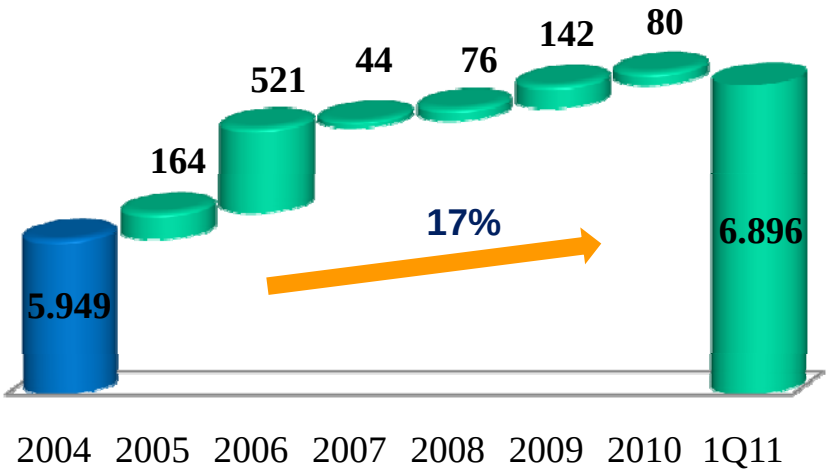
- Incorporation of our goals and commitments to our bylaws secures stability of the company's long-term planning
  - Capex limited to 40% of EBITDA:
  - Net Debt limited to 2x EBITDA (2.5 x with acquisitions)
  - Net Debt limited to 40% of Total Capitalization (50% with acquisitions)

# …**Investment policy** to guarantee sustainable growth

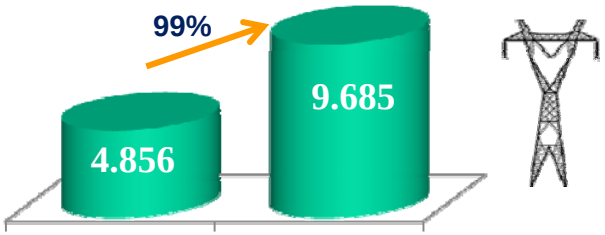
- **Pillars of our activity**:
  - Focus on electricity sector and related activities
  - Profitability: return compatible with each business
  - Partnerships with strategic investors: corporate governance
- **Growth through new projects,** long-term vision
  - Opportunities in electricity generation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

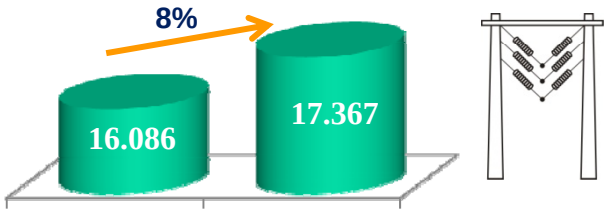
## Power Generation



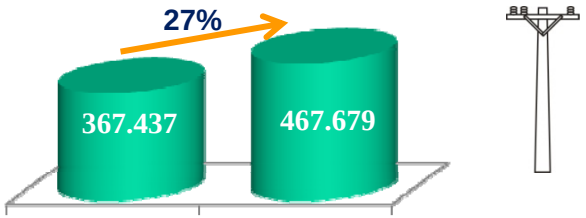

**Power Transmission lines - km**




**Sub-transmission lines -km**



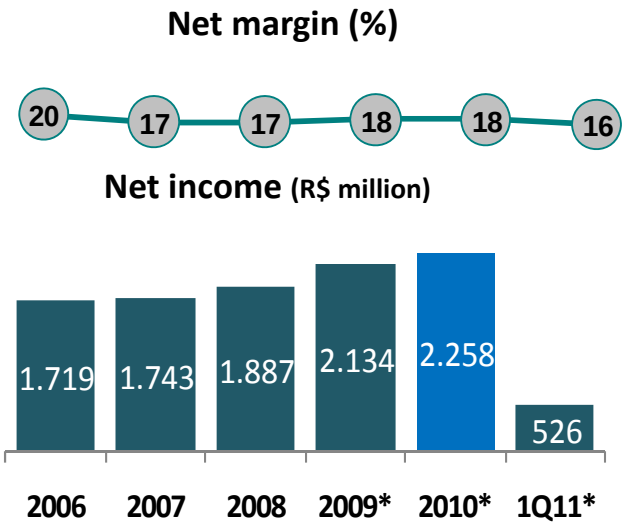

**Electricity Distribution lines -km**

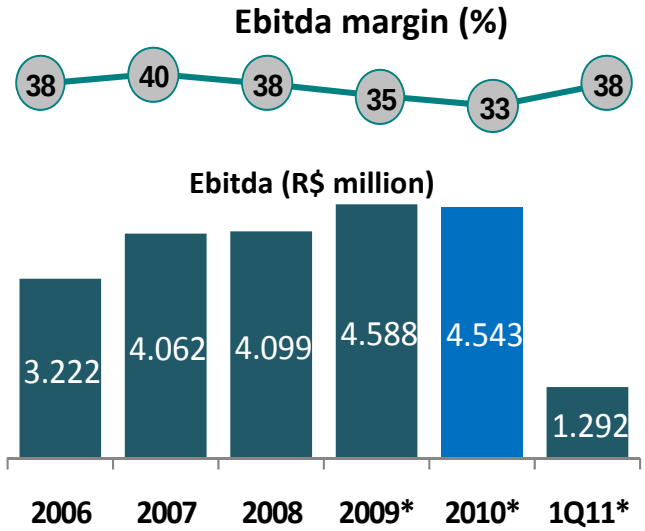


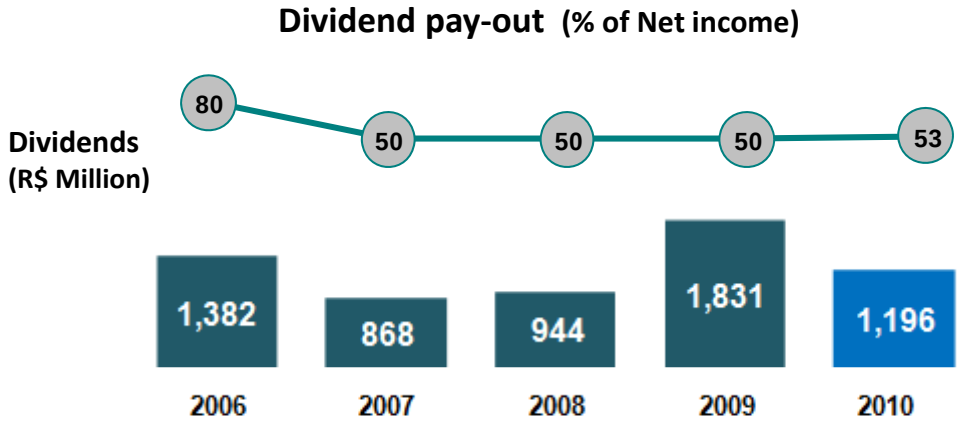

✓ Our power matrix ensures **higher operational margins**

* Includes Abengoa

# Strategic Plan Results



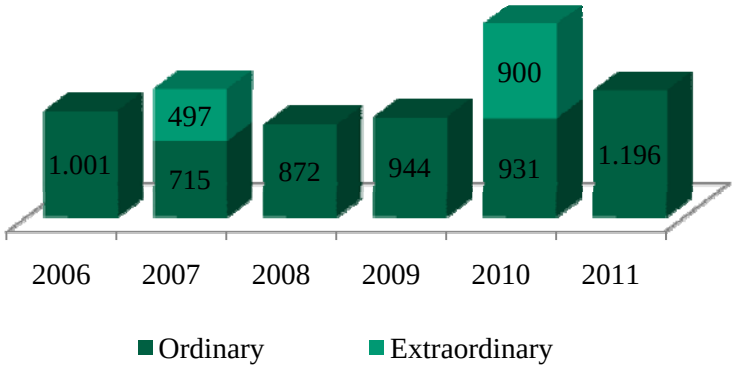




* Reflect the adoption of IFRS ( International Financial Reporting Standards)=

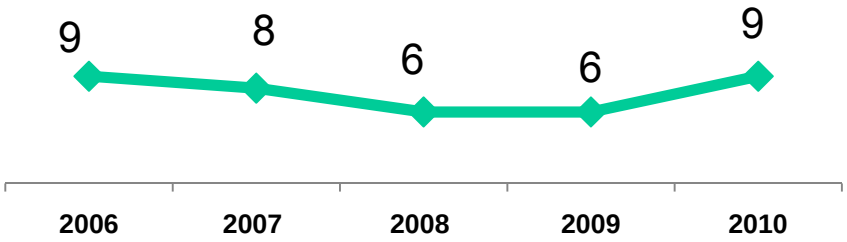
# Strategic Plan Results: Dividends

- ✓ Dividends paid in 2010 reach R$ 1.8 billion
  - Ordinary dividends R$ 931mn, paid in equal parts in June and December 2010
  - Extraordinary dividends: R$ 900 million, paid in December 2010
- ✓ Approved for 2010 Net Income distribution:
  - *52.97% of the net profit - R$ 1.196 billion to payment of dividends - R$1.75/share*

**Dividends paid(*) - (R$ Million)**




**Dividend Yield (%)**



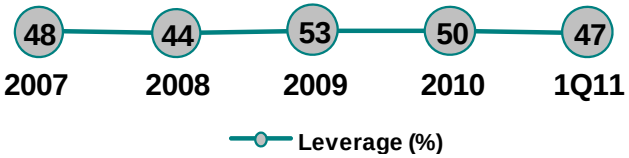

* Dividends approved for the year net income, paid in the coming year in semi-annual basis

# Results reflect **long-term vision**

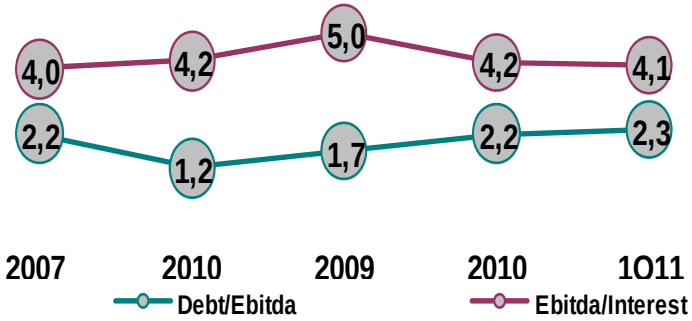
- Company's structure oriented towards electricity sector consolidation
- Operational excellence aligned with costs reduction
- Investment criteria defined by Strategic Plan to add value
- Risk management ensures reliable processes
- Corporate governance as a corporate value constantly evolving
- Financial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

# Continuous improvement of our KPI

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

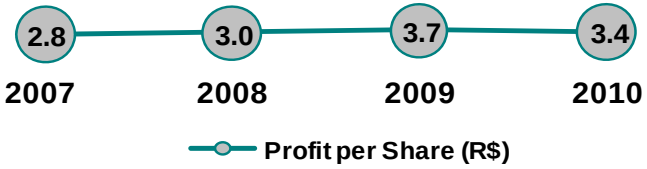



**Key debt indicators (%)**

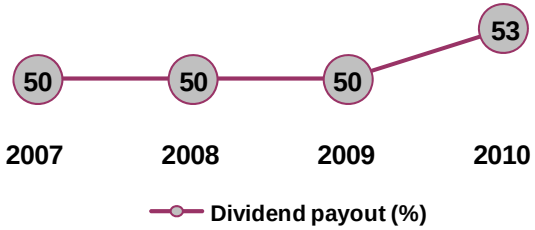



**Key performance indicators in line with Long Term Strategic Plan**

**Earnings per share** (R$)




**Dividend payout (%)**



# Agenda

- 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 (March/2011)

| Plant | Installed capacity (MW) | Efective Power (MW Average) |
|---|---|---|
| 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 |
| Others hydro | 901 | 940 |
| Wind | 1 | - |
| Thermo | 185 | 83 |
| Cemig's operated plants | 267 | 105 |
| Hydro -Light Geração | 218 | 83 |
| Wind - Ceará Complex Cemig's Holdings | 49 | 22 |
| **Total** | **6,896** | **4,240** |

- Cemig provides 7% of Brazil's generation capacity and supplies 25% 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 Ceará 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

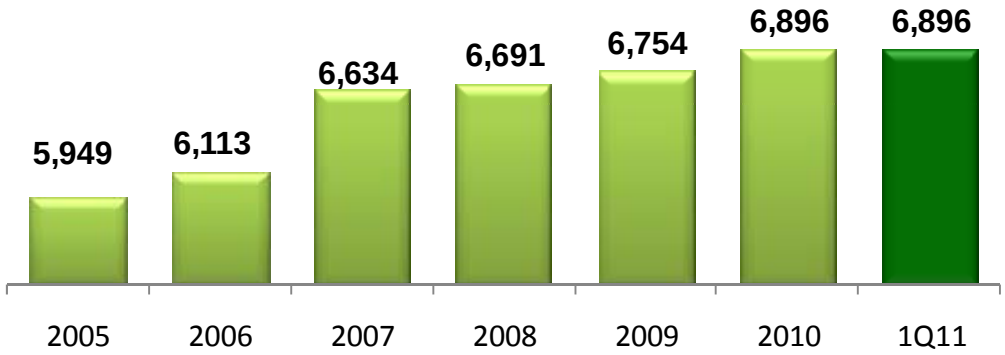
- ✓ **Cemig's new installed generation capacity: 6,896 MW**

# 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% | **2009** |
| Baguari Hydro Plant | 140 | 34% | **2009** |
| Wind farms | 100 | 49% | **2009/2010** |
| Small Hydro Plants | 107 | 49% | 2010/2011 |
| Santo Antônio | 3,150 | 10% | Dec/2011 |
| Itaocara Hydro Plant* | 195 | 49% | Feb/2014 |

**Installed capacity (MW)**




*In partnership with Light

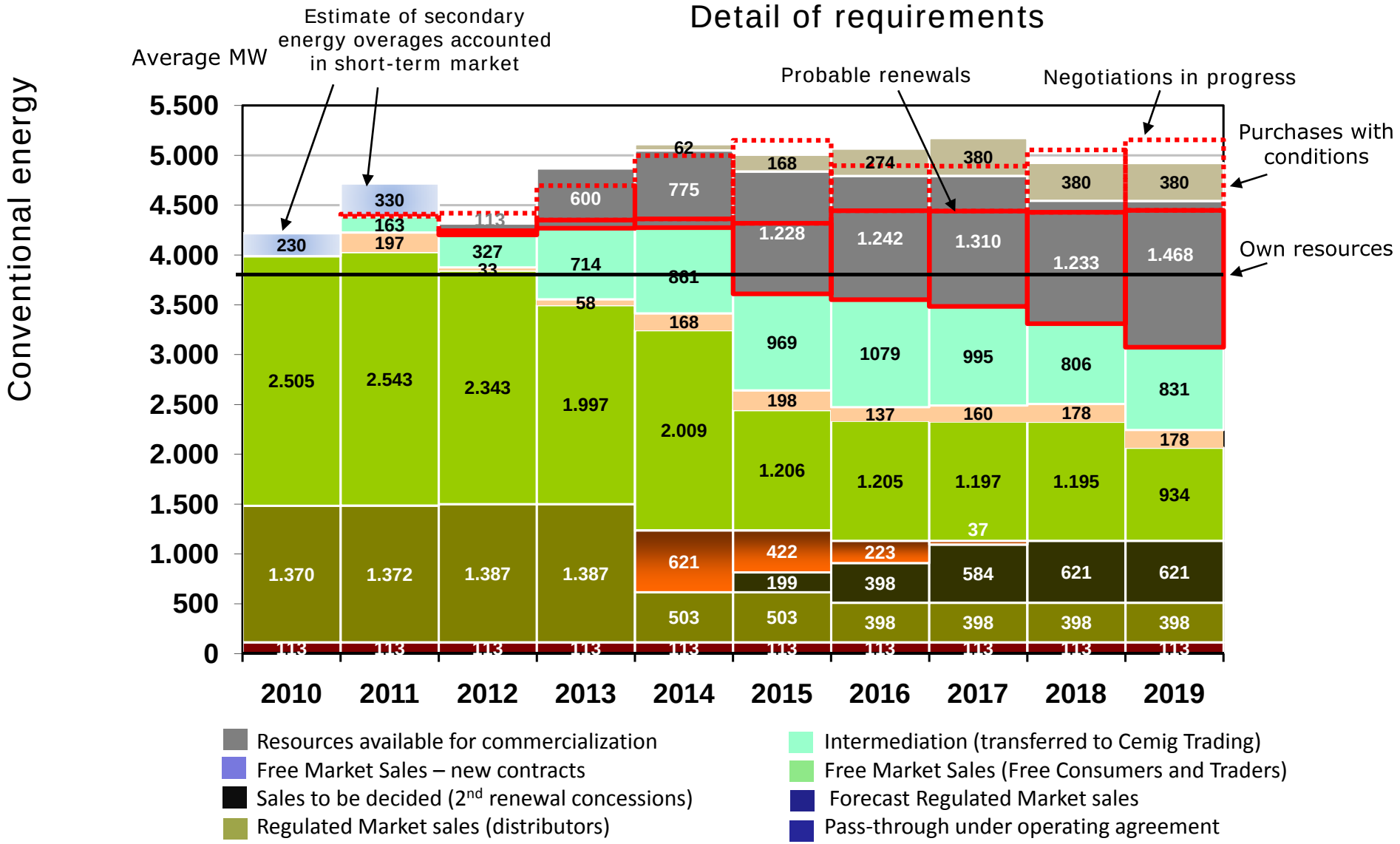
# Projects under study

| 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 |
| **Total** | **44** | **7,528 MW** | **23** | 2,210 MW |

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

(*) Includes Igarapé´s convertion of 250 MW into natural gas
Figures related to may/2010

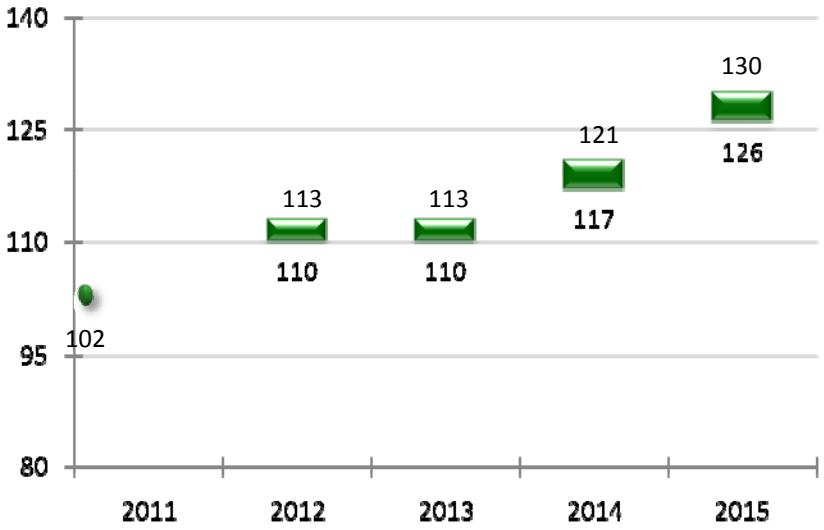
# CEMIG GT – Supply-demand balance



# CEMIG GT: Power generation prices estimates

## Effect of renewal of existing contracts

(R$/MWh)

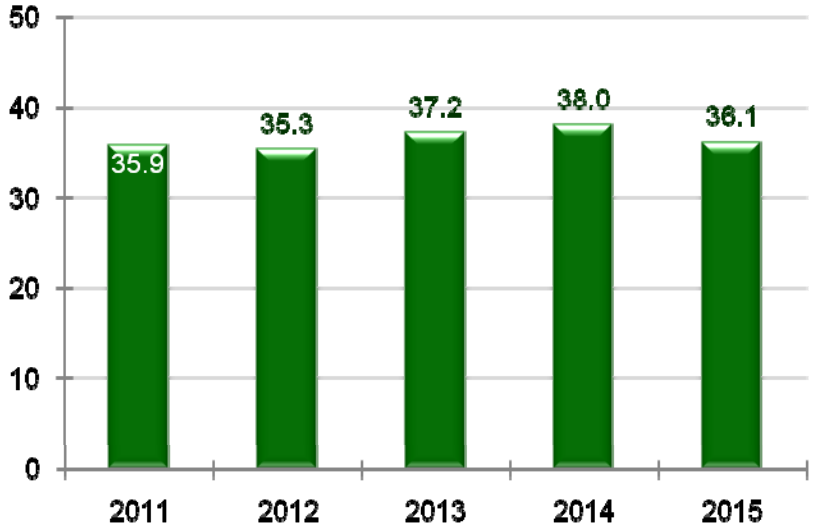



- In 2011 there has been a significant reduction in the projected short-term (spot) price at the secondary energy market
  - If isolated, this effect on the average price of energy would be 110.5 R$/MWh
- Starting in 2014, the existing contracts will be replaced by new contracts with higher prices

Constant currency of June 2011

# Power Generation Sales Volume Estimates:CEMIG GT

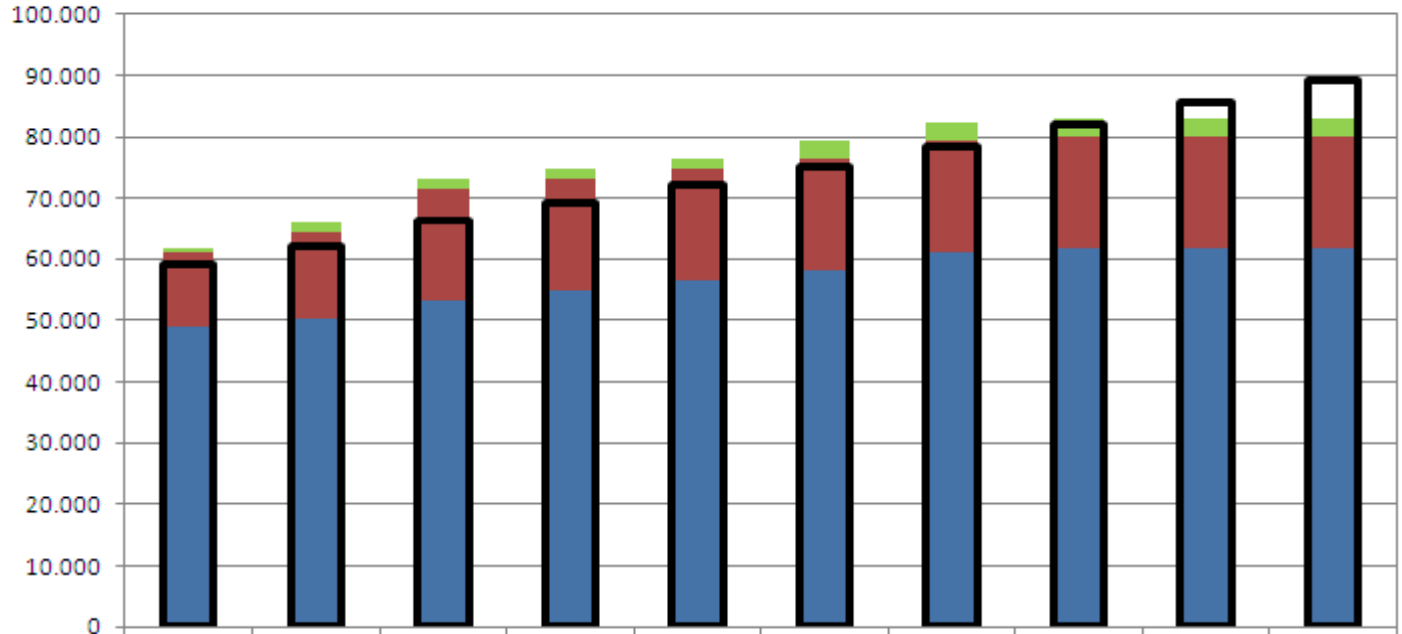
MARKET – TWh*




- In 2011 Cemig GT participated in the Secondary Energy market (additional generation above the assured physical levels, due to favorable hydrology and sold on the Short-term (Spot) Market)
- Energy purchases (Petrobrás, Copel, Incentive-bearing sources, Wind Power, RBE, remainder from Santo Antônio)

# Brazilian National Grid

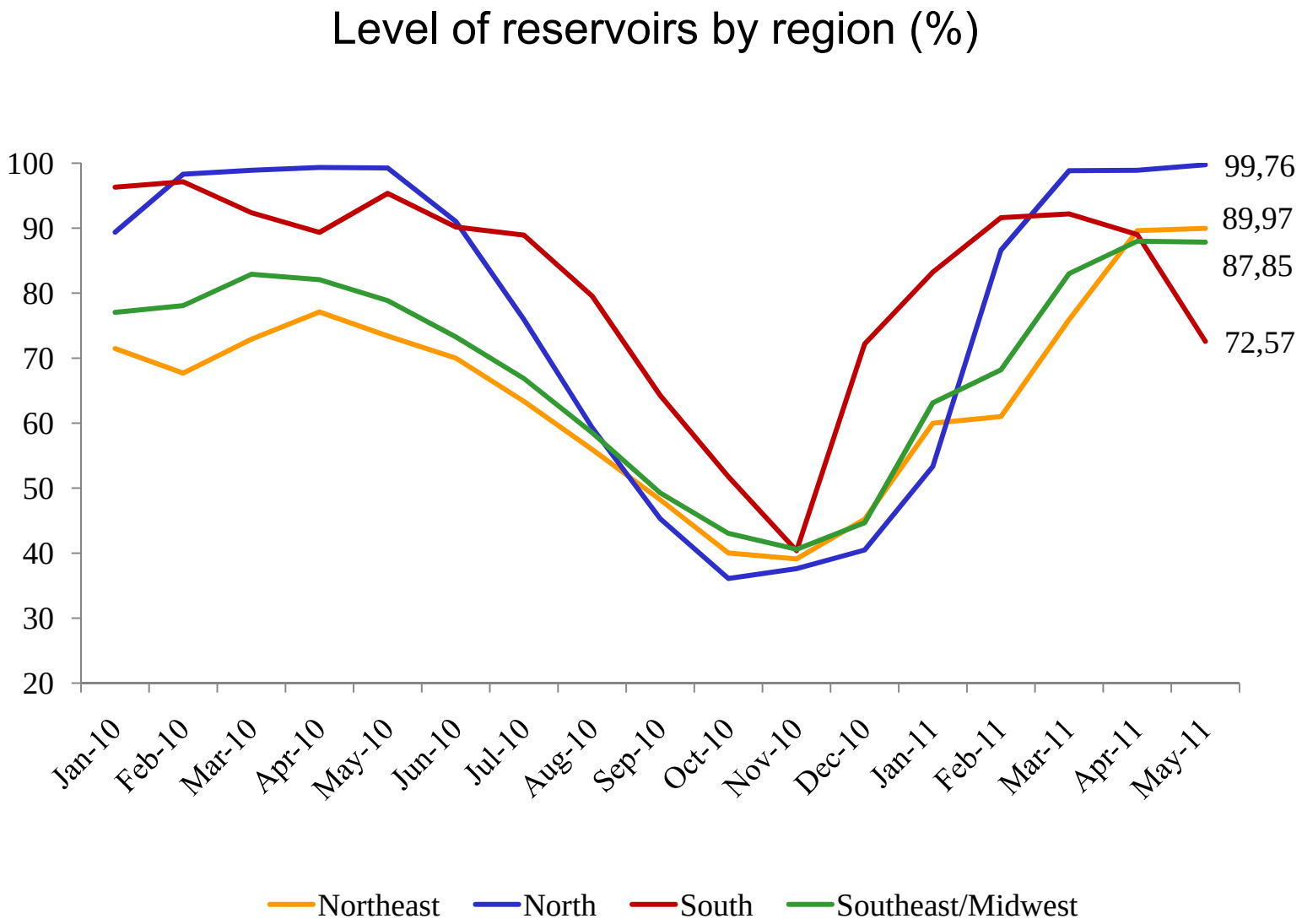
## Structural Energy Balance (Average MW)




| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Reserva | 480 | 1.400 | 1.716 | 1.743 | 1.746 | 2.987 | 2.987 | 2.987 | 2.987 | 2.987 |
| Term | 12.334 | 14.199 | 18.194 | 18.215 | 18.215 | 18.215 | 18.215 | 18.215 | 18.215 | 18.215 |
| Hidr | 48.851 | 50.279 | 53.267 | 54.802 | 56.514 | 58.201 | 61.198 | 61.789 | 61.789 | 61.789 |
| Mercado | 59.069 | 62.201 | 66.366 | 69.266 | 72.188 | 75.224 | 78.456 | 81.972 | 85.517 | 88.986 |
| Balanço (%) | 3,6% | 3,7% | 7,7% | 5,4% | 3,5% | 1,6% | 1,2% | -2,4% | -6,4% | -10,1% |
| Balanço | 2.116 | 2.277 | 5.095 | 3.751 | 2.541 | 1.192 | 958 | -1.968 | -5.513 | -8.982 |

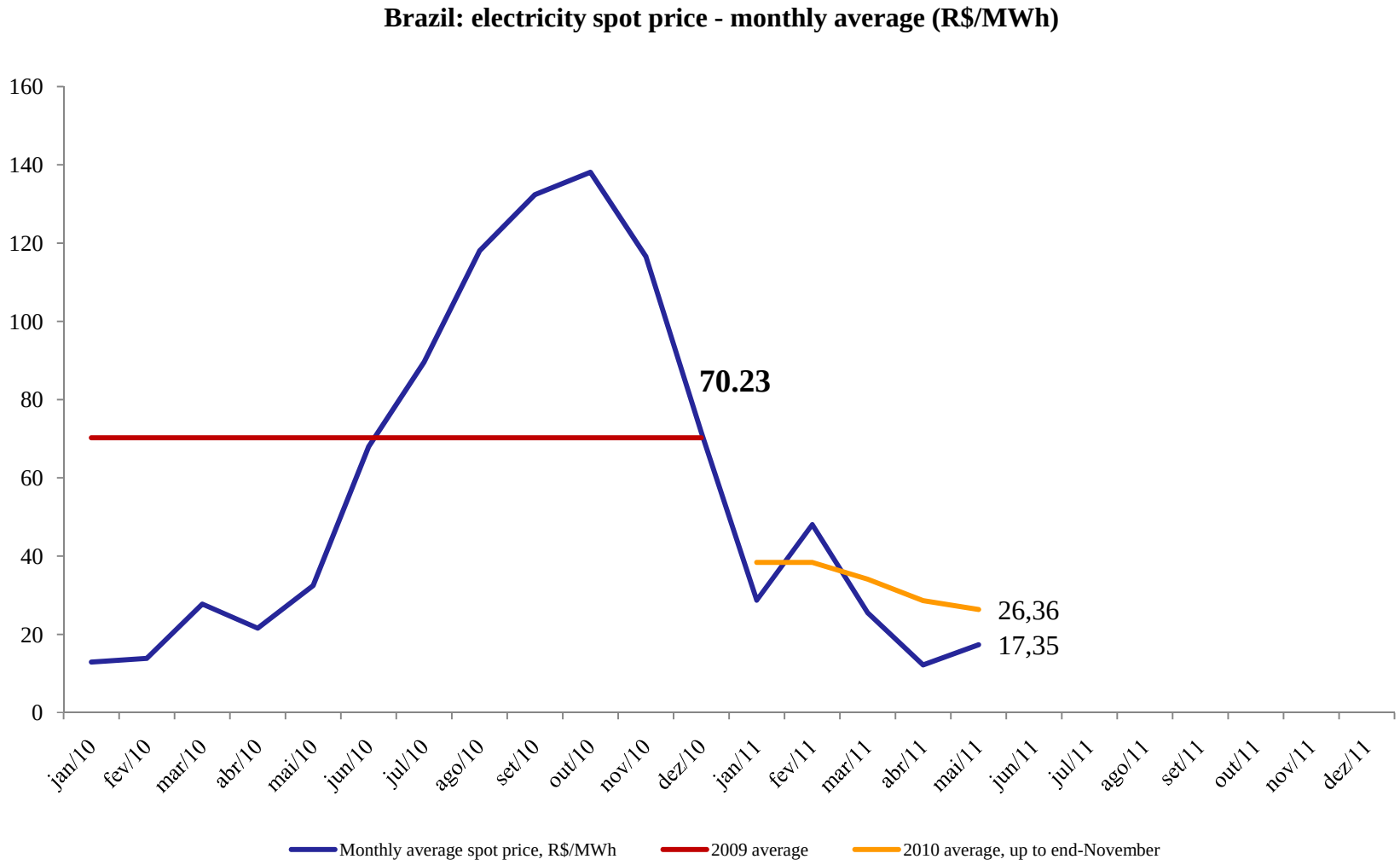
Sources: PMO, May 2011; PDE, 2019; Cemig research and an estimated GDP of 5% for the 2011-2014 period

# Level of reservoirs (%)*




*Source: ONS*

# Spot Market: 2009/2010




***Source: CCEE***

# Power Generation Auctions:2010/2011

| Name | Date | Power Plant | Capacity Installed(MW) | Efective Power (MW Average) | Price/MWh |
|---|---|---|---|---|---|
| Special Power Auctions | 2010 | Belo Monte (30 years long contracts) | 11.233 | 4.571 | R$ 77,97 |
| A-5 New Power Auctions | 2010 July, 30th | Garibaldi | 178 | 83 | R$ 108,00 |
| | | Colider | 300 | 180 | R$ 103,00 |
| | | Ferreira Gomes | 252 | 150 | R$ 70,00 |
| | | Santo Antonio | 300 | - | R$ 100,00 |
| | | Small Hydro | - | - | R$ 154,00 |
| A-3 New Power Auctions | 2010 August 26th | wind power (50) | 1.519,6 | 643,9 | R$ 134,10 |
| | | Biomass (1) | 65,0 | 22,3 | R$ 137,92 |
| | | Small Hydro Plant | 101,0 | 48,1 | R$ 146,99 |
| A-1 New Power Auctions | 2010 December 10th | Hydro | - | - | R$ 105,00 |
| | | Thermo | - | - | R$ 115,00 |
| Reseve Power Auction | 2010 August 26th | Wind power (20 years long contracts) | 528,2 | 266,8 | R$ 122,69 |
| | | Biomass (15 years long contracts) (*) | 647,9 | 280,8 | R$ 145,78 |
| | | Small Hydro Plant (30 years long contracts) | 30,5 | 21,7 | R$ 130,73 |
| A-5 Second Power Auctions | 2010 December 17th | Teles Pires | 1.820 | 911 | R$ 58,63 |
| | | Santo Antônio de Jari (AP) (1) | 300 | - | R$ 104,00 |
| Adjustment Auctions* | 2011 February 17th | Existent energy | - | - | R$ 109,84 avg |
| A-3 Reserve Power Auctions (582 Projects) | 2011 Agost 17th | wind power (429 projects) | 10.935 | - | - |
| | | Hydro Plant (1 expasion) | 450 | - | - |
| | | Natural Gas (30 projects) | 10.871 | - | - |
| | | Biomass (1 project) | 4.580 | - | - |
| | | Small Hydro Plant (41 projects) | 725 | - | - |

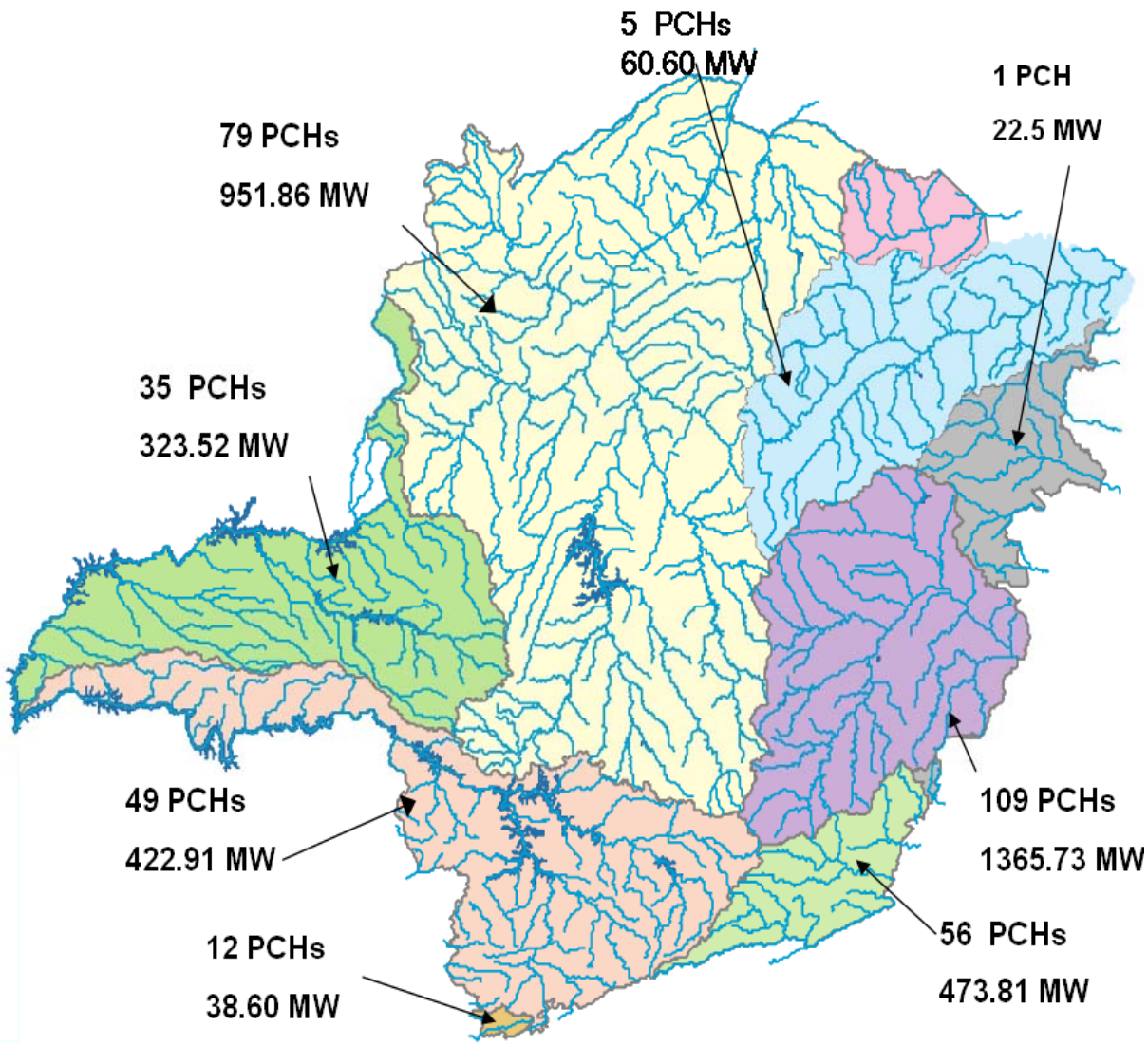
(1) - concession has already been awarded

(*) - Cemig was one of the largest sellers in this auction - price R$108.00

# 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) in commercial operation;
  - 04 Small Hydro Power Plants (44 MW) construction is estimated to begin in 2011 (Fortuna II, Dores de Guanhães, Senhora do Porto e Jacaré);
  - 05 Small Hydro Power Plants (77 MW) in evaluation.

PCH = Small Hydro Power Plant



# Business Opportunities: biomass cogeneration

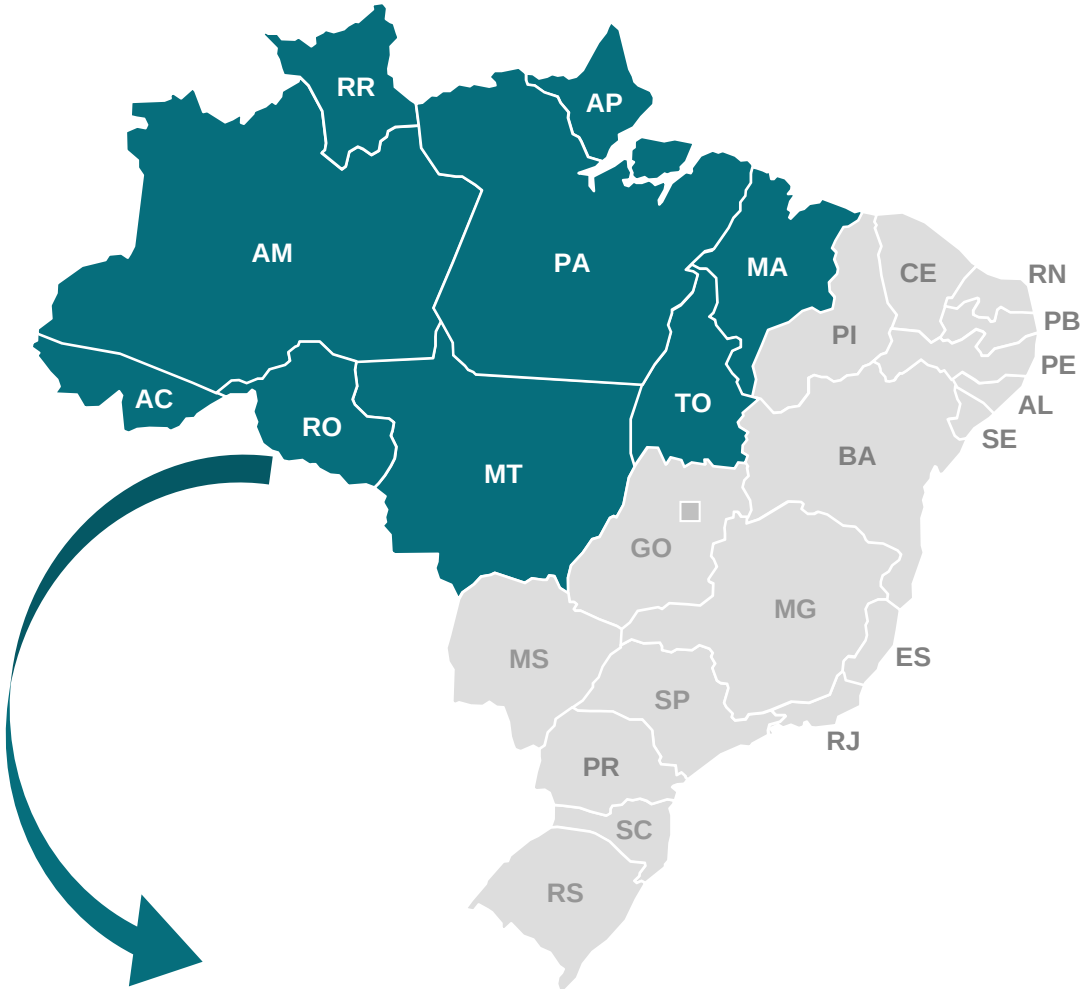
## Sugar and ethanol potencial in Minas gerais

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

* 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




*Amazon region:*

*Estimated capacity to be developed is 63.5% of the total available*

Situation as of December 2010, MW

| Region | State | Operation | Estimated | Overall |
|---|---|---|---|---|
| North | AC | - | 1,121 | 1,121 |
| | AM | 250 | 19,648 | 19,898 |
| | AP | 68 | 1,938 | 2,006 |
| | RO | 3,549 | 9,342 | 12,891 |
| | RR | 5 | 5,257 | 5,262 |
| | PA | 8,500 | 40,900 | 49,400 |
| | TO | 2,324 | 4,351 | 6,674 |
| Northeast | AL | 1,582 | 2,687 | 4,269 |
| | BA | 6,885 | 5,278 | 12,163 |
| | CE | 4 | 21 | 25 |
| | MA | 663 | 1,527 | 2,191 |
| | PB | 4 | 8 | 11 |
| | PE | 746 | 821 | 1,566 |
| | PI | 119 | 376 | 495 |
| | RN | - | 2 | 2 |
| | SE | 1,581 | 2,665 | 4,246 |
| Southeast | ES | 475 | 881 | 1,356 |
| | MG | 12,278 | 11,965 | 24,244 |
| | RJ | 1,421 | 1,829 | 3,250 |
| | SP | 10,982 | 4,138 | 15,120 |
| Center-West | DF | 30 | - | 30 |
| | GO | 5,905 | 6,438 | 12,343 |
| | MS | 3,547 | 2,497 | 6,044 |
| | MT | 1,893 | 14,914 | 16,807 |
| South | PR | 15,947 | 8,168 | 24,115 |
| | RS | 5,062 | 5,541 | 10,603 |
| | SC | 3,716 | 3,515 | 7,232 |
| **TOTAL** | | **87,535** | **155,827** | **243,362** |

*Source: Eletrobrás (SIPOT).*

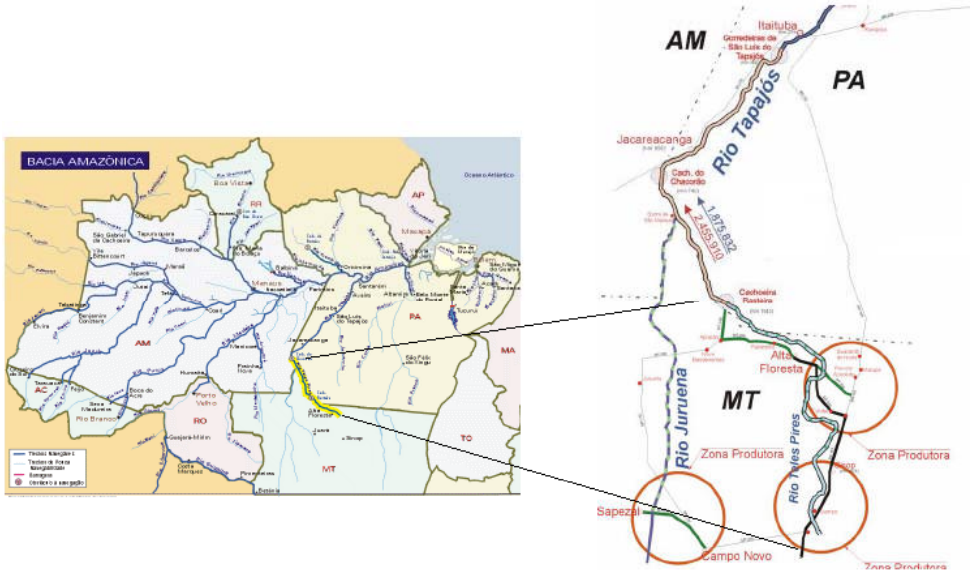
# Tapajós Complex

- ✓ 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 | Assured Energy Avg MW | Start-up |
|---|---|---|---|---|
| São Luiz do Tapajós | Tapajós | 6,133 | 3,369 | 2016 |
| Cachoeira do Caí | Tapajós | 802 | 418 | 2019 |
| Jatobá | Jamanxim | 2,338 | 1,282 | 2019 |
| Jamanxim | Jamanxim | 881 | 475 | 2019 |
| Cachoeira dos Patos | Jamanxim | 528 | 272 | 2019 |
| Total | | 10,682 | 5,816 | |

# 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 | Assured Energy Avg MW | Start-up Date |
|---|---|---|---|---|
| Teles Pires | Teles Pires | 1,820 | 915 | 2015 |
| São Manuel | Teles Pires | 746 | 400 | 2015 |
| Sinop | Teles Pires | 461 | 227 | 2015 |
| Total | | 3,027 | 1,542 | |

# Santo Antônio hydro plant – basic information

- 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 $m^3/s$, lake 271 $km^2$, 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 $km^2$ reservoir): index 9.44
  - Samuel ( 217 MW, 584 $km^2$ reservoir): index 2.69
  - Manso ( 210 MW, 387 $km^2$ reservoir): index 1.84
  - Tucuruí (4,000 MW, 2,414 $km^2$ reservoir): index 0.61
  - Belo Monte (11,000 MW, 440 $km^2$ 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

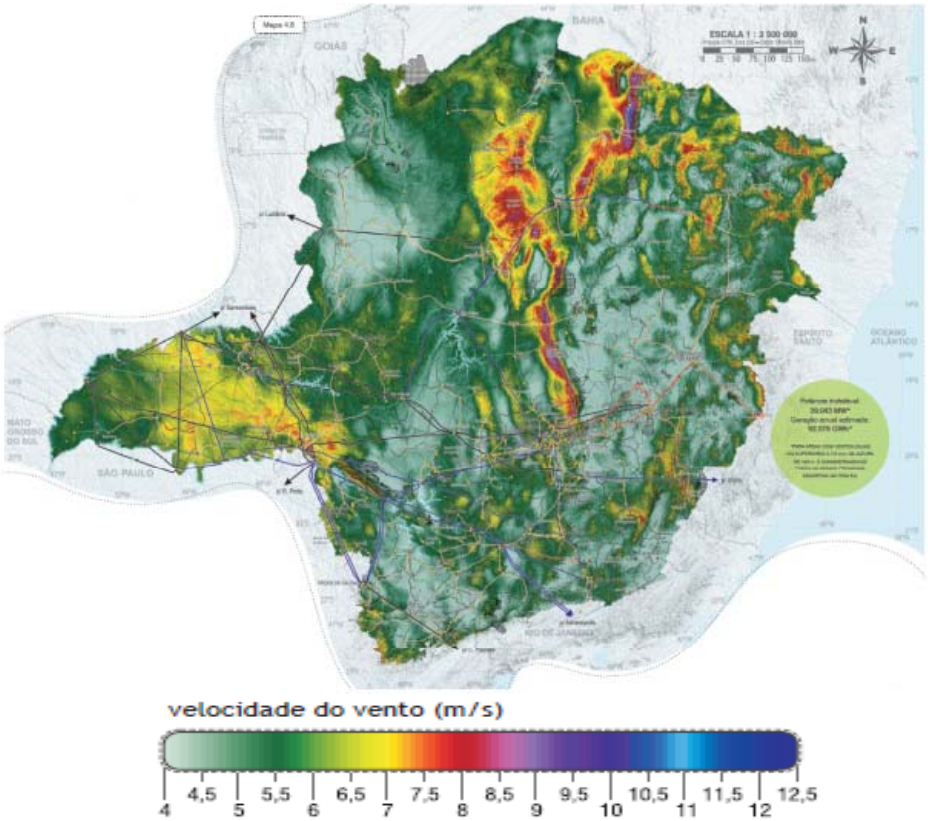
Cemig is one of the pioneer companies in terms of wind generation in Brazil through the *Morro do Camelinho* plant, which was connected to the grid in 1992.

**Wind power map of Brazil:**

Brazil has a theoretical wind power generation potential of 143.5 GW, estimated at a height of 50 meters (1). This is more than the total volume of generation capacity currently installed in the country of 107 GW (2). Wind power currently supplies 0.71% of this total, or 765.5MW (2).

**Wind power map of Minas Gerais:**

The Wind Atlas of Minas Gerais indicates wind potential of 39 GW, for a height of 100 meters (3). This is 2.7 times the output of the Itaipu Plant, or 3.5 times more than Belo Monte Plant (the two largest hydro projects in Brazil).




| 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)
*(2) Source: Aneel*
*(http://www.aneel.gov.br/aplicacoes/capacidadebrasil/capacidadebrasil.asp)*
*(3) Source: Wind Atlas Minas Gerais.*

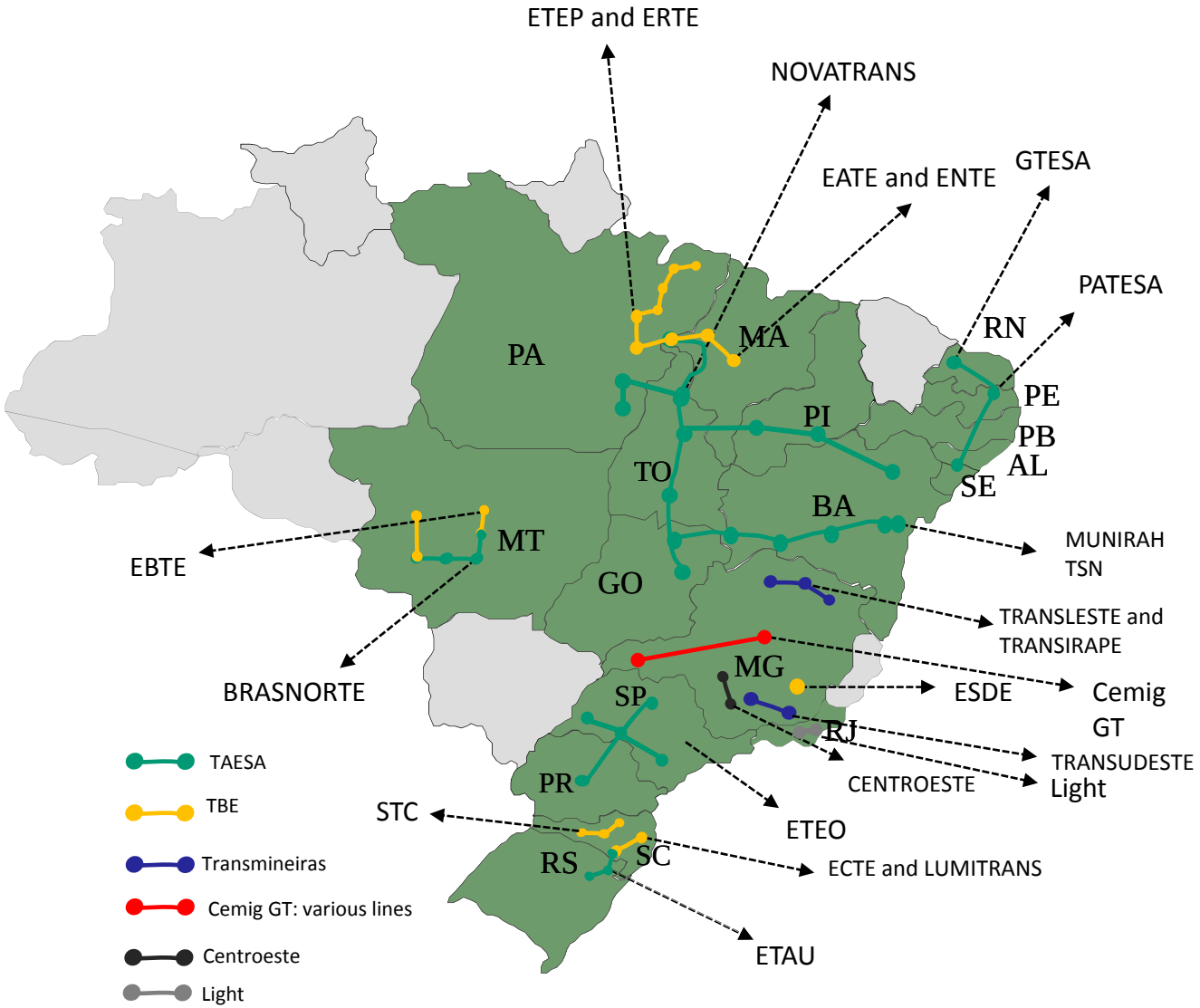
# Power Transmission Capacity (Km)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | In 2011* |
|---|---|---|---|---|---|---|---|
| >525-Kv lines | 0 | 0 | 0 | 51 | 77 | 101 | 228 |
| 500-kV lines | 2,165 | 2,592 | 2,488 | 2,788 | 3,594 | 4,421 | 5,190 |
| 345-kV lines | 1,976 | 1,969 | 2,001 | 2,001 | 2,167 | 2,358 | 2,251 |
| 230-kV lines | 751 | 803 | 824 | 915 | 1,668 | 1,888 | 2,016 |
| Total | 4,892 | 5,364 | 5,313 | 5,755 | 7,506 | 8,768 | 9,685 |

- Charrúa – Nueva Temuco transmission line start-up in Jan. 2010:
  - 220 kV, 205 km
- Cemig stands for 13% of Brazil´s market (in terms of annual permitted revenue)*

* Includes Abengoa

# Transmission: Present all over Brazil



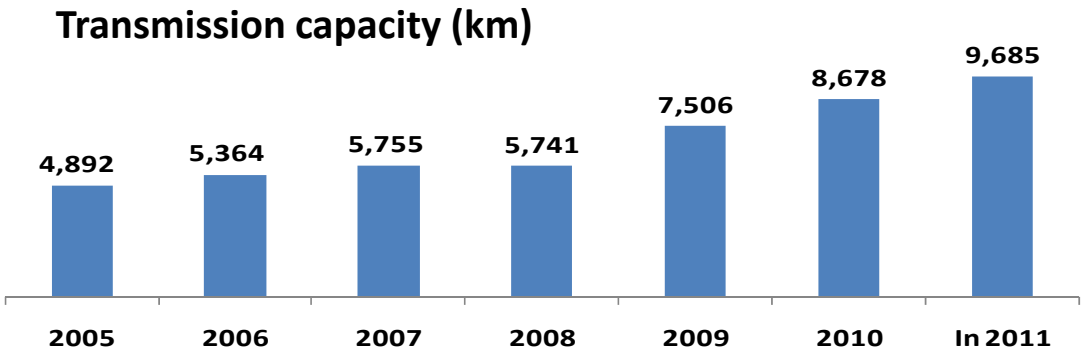

- ✓ Cemig is now Brazil's third largest transmission group:
- ➢ Total lines: 9,685 Km
- ➢ Consolidated Permitted Annual Revenue (RAP): R$1.4 billion, including Transchile and Abengoa
- ➢ Present in 19 States of Brazil and in Chile

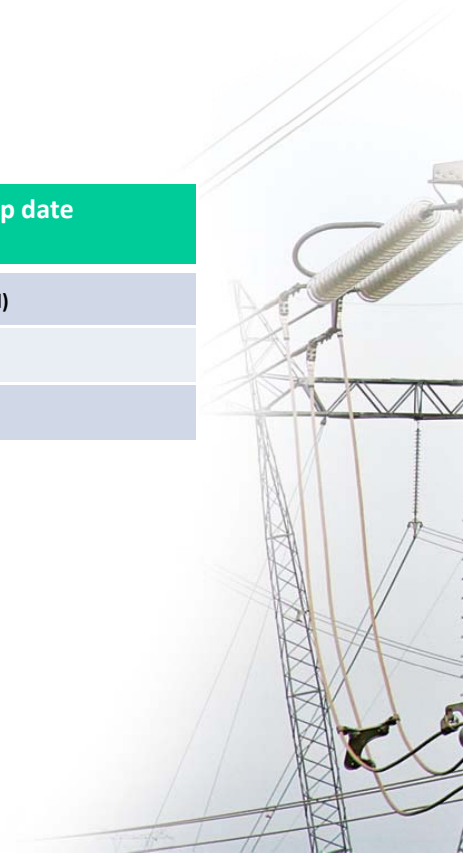
As of December 2010

# Power Transmission: Expansion

- ✓ Acquisitions in 2009:
  - ➢ Taesa (formerly Terna): R$ 1.90 billion for a 56.7% stake
  - ➢ Increased interest in TBE: R$ 505 million
- ✓ Acquisitions in 2010
  - ➢ Increased interest in TBE: R$ 100 million.
  - ➢ Current stake of 40% approximately.

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



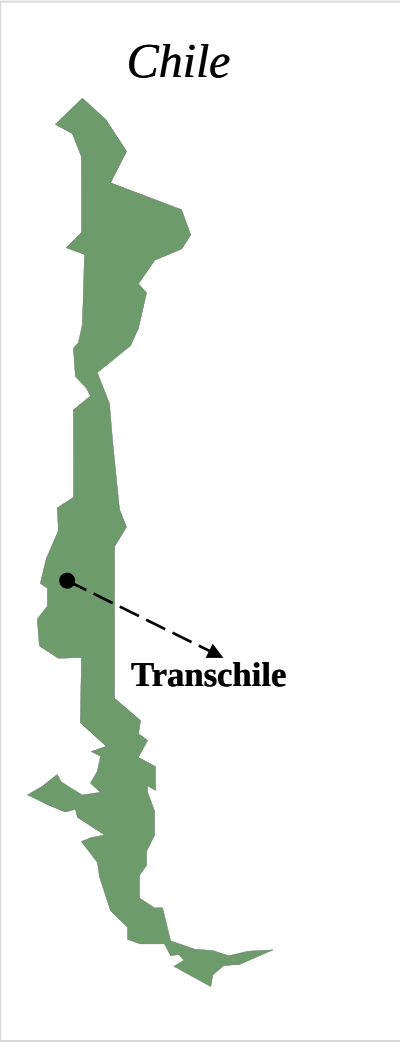



[1] EBTE: indirect holding through EATE.

[2] Indirect holding through ETEP.

[3] 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 :** U$20.3 million
- **Start of works:** April 2007
- **Start of operation:** January 2010

# Power Transmission auctions

- ## 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% average discount

**September, 3rd**

3 lots totaling 512 Km of lines and four substations

These assets will be built in 3 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% average discount

**December, 09th**

8 lots totaling 555 Km of lines

These assets will be built in 6 states

30 years contracts and estimated total capex of R$786 million

6 substations and 9 transmission lines

Total RAP (max): R$ 93 million

11 companies and 1 consortium won these lots

RAP: average winning bid of R$ 52 million

43.67% average discount

**2011 Auctions**

3 lots totaling 430 Km of lines and six substations

These assets will be built in 4 states

1 companies and 1 consortium won these lots

RAP: average winning bid of R$ 49 million

53.27% average discount

RAP – Regulatory Annual Permited Revenue

# The 1st Transmission Tariff Review

✓ This cyclical review is related just with old assets hold by Cemig GT

- Taesa and TBE are not entitled to this type of 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 |
| **Tariff Repositioning Percentage** | | **5.35%** |

- 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 | 2010 | 1Q11 |
|---|---|---|---|---|---|
| **SUB-TRANSMISSION** | 16.676 | 16.810 | 16.959 | 17.096 | 17.367 |
| 161-kV lines | 55 | 55 | 55 | 55 | 55 |
| 138-kV lines | 11.145 | 11.254 | 11.442 | 11.491 | 11.749 |
| 69-kV lines | 4.510 | 4.535 | 4.508 | 4.595 | 4.608 |
| Lines below 69 kV | 966 | 966 | 954 | 955 | 955 |
| **DISTRIBUTION** | 429.560 | 442.749 | 450.316 | 457.463 | 467.679 |
| Urban Overhead lines | 90.524 | 91.550 | 95.539 | 96.469 | 102.292 |
| Urban Underground lines | 1.049 | 1.380 | 1.432 | 1.432 | 2.190 |
| Rural Overhead Lines | 337.987 | 349.819 | 353.345 | 359.562 | 363.197 |
| **TOTAL** | 446.236 | 459.559 | 467.275 | 474.559 | 485.046 |

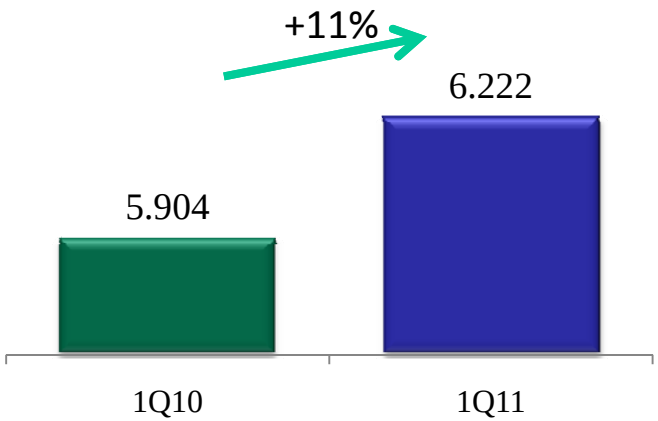
- Cemig stands for 12% of Brazil´s installed capacity
- We are the largest distribution network as measured by either Km of lines and number of consumers

# Distribution: Expansion

- ✓ Acquisitions in 2009:
  - ➢ Increase of stake in Light
    - R$ 785 million for each block of 13.03% in Light
    - AG's stake in Light was already paid by Cemig
    - 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

# Cemig D: sales by category in 1Q11

**Electricity sold – GWh: Changes, 1Q11**

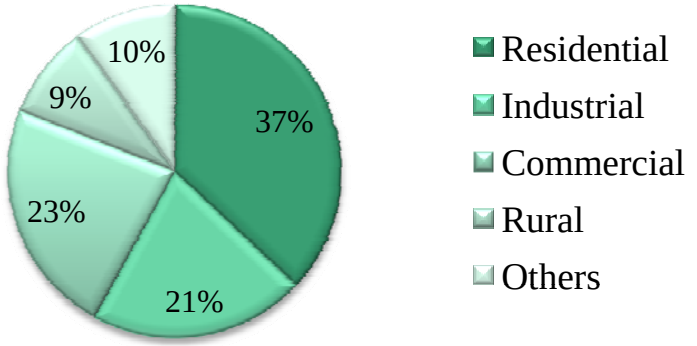



Sales by category - GWh

| TYPE | 1Q11 | 1Q10 | Change % |
|---|---|---|---|
| Residential | 2,183 | 2,035 | 7% |
| Industrial | 1,227 | 1,112 | 10% |
| Commercial | 1,325 | 1,237 | 7% |
| Rural | 533 | 501 | 6% |
| Other | 766 | 727 | 5% |
| **Clients** | **6,034** | **5,613** | **8%** |
| CCEE | 188 | 291 | -35% |
| **Total** | **6,222** | **5,904** | **5%** |

- ✓ Strong expansion of the economy in the concessionary boosted demand
- ✓ Industrial users: Robust growth of 10% YoY
- ✓ Intense sales growth continues in the quarter

Percentage by category – Final Consumer 1Q11



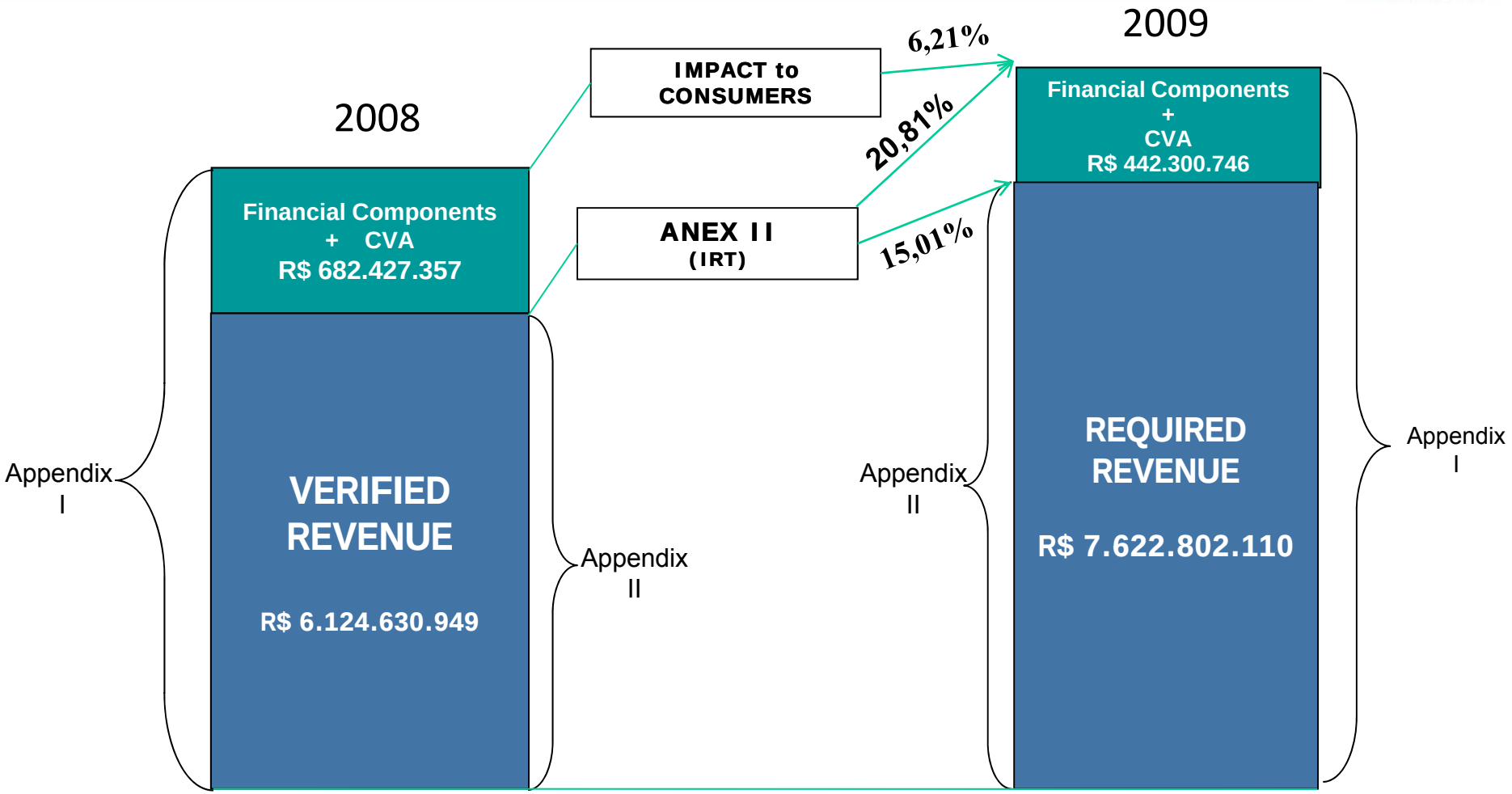
# Electricity Distribution tariff review

- Allowed return on asset approach:
  - Benchmark WACC: was 11.26% in 1st cycle (2003)
  - Tariff review: WACC of 9.95% in 2nd 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 2nd 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%

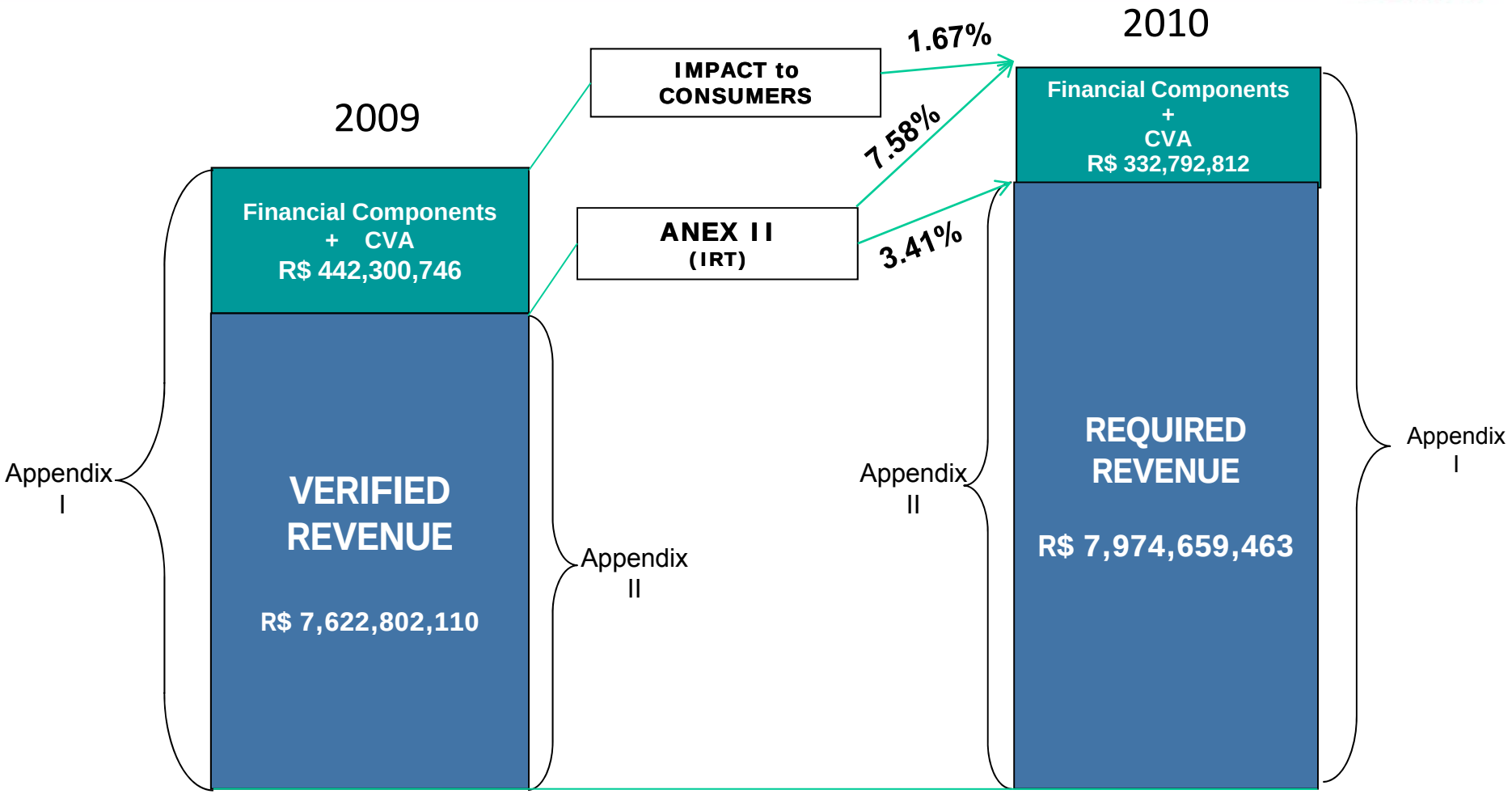
# Cemig D 2009 readjustment and Impact on Tariff




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)

# 1st Tariff Review 2003 vs 2nd Tariff Review 2008/2009

| 1st Tariff Review 2003 | 2nd Tariff Review 2008 | 2nd Tariff Review 2009 Final |
|---|---|---|
| • Regulatory Ebitda Margin: 21.2%<br>• Losses coverage: inadequate<br>• Market Growth: 3.7% p.a. (with risk of being lower; at the time, was 2.0% p.a.)<br>• X Factor (Xe): 1.25% | • Regulatory Ebitda Margin: 21%<br>• Losses coverage: sufficient<br>• Market Growth: 3.17% p.a. ( less risk than in 2003)<br>• X Factor (Xe) : 0.84% | • Regulatory Ebitda Margin: 21%<br>• Losses coverage: sufficient<br>• Market Growth: 3.17% p.a. ( less risk than in 2003)<br>• X Factor (Xe) : 0.14% |

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

| Regulatory Proposal | | |
|---|---|---|
| WACC | 2nd Cycle ( Final) | 3rd Cycle (Aneel's Proposal) |
| **Debt** | | |
| 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% |
| **Equity** | | |
| 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% |
| **WACC (nominal, US$)** | 12.81% | 8.81% |
| Us Inflation (r) | 2.60% | 2.48% |
| **WACC (real, US$)** | 9.95% | 7.15% |

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

- ✓ Opex:
  - Two stages:
    - o Reference Company model of the 2nd Cycle (2008) adjusted to inflation and productivity gains and sales volume increase – First Stage
    - o 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.

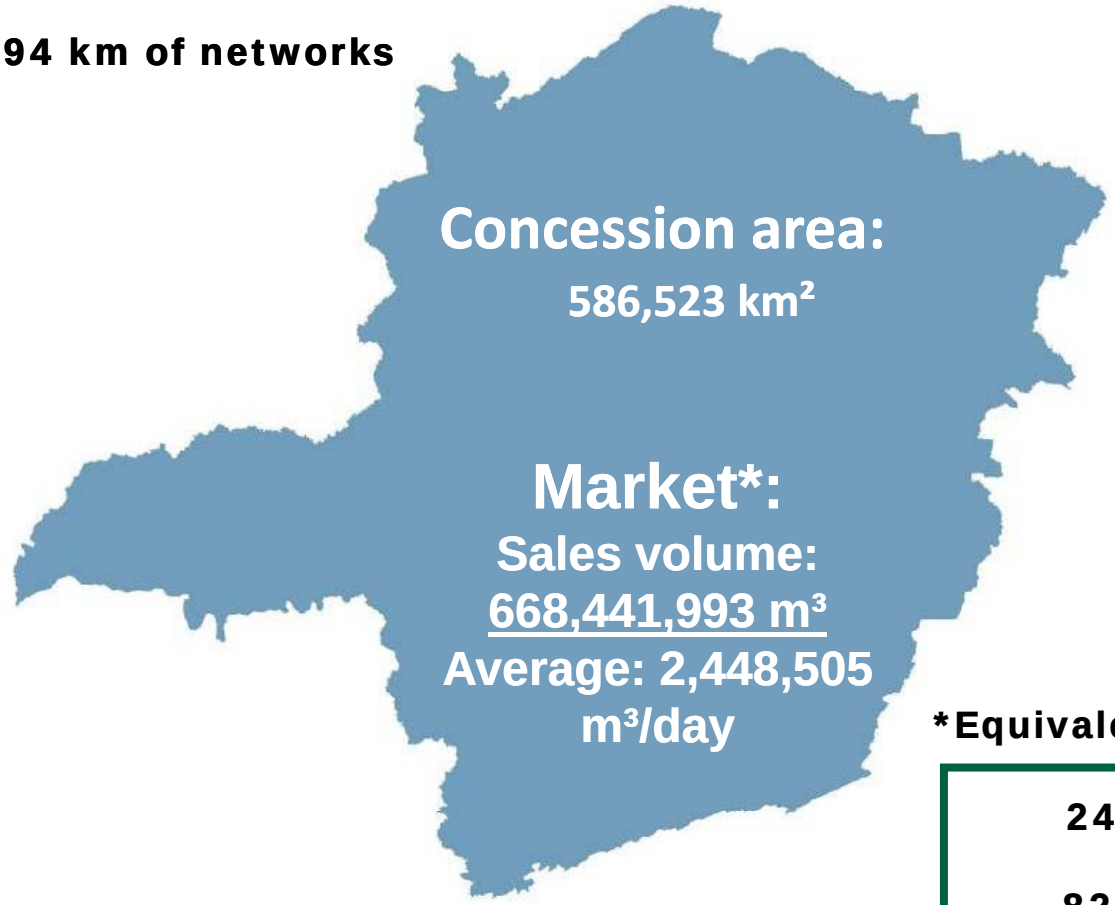
# Aneel's Proposal for the 3rd Cycle: Main Changes

- ✓ 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 24th and Light 7th
  - 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

# Natural Gas Distribution - Gasmig

- ✓ **287 Clients (conventional), 2 Thermal power plants**
- ✓ **28 municipalities served**
- ✓ **222 employees**
- ✓ **794 km of networks**




**Major works:**

***Sul de Minas*** **Project – Completed**

***Vale do Aço*** **project –completed**

***Equivalent in million BTU:**

| |
|---|
| **24,933,948 MBTU** |
| **82,020 MBTU / day** |

***Figures up to September 2010***

# Natural Gas Expantion: Cemig´s consortium wins Brazilian Oil and Gas Bids in December 2008

- ✓ 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

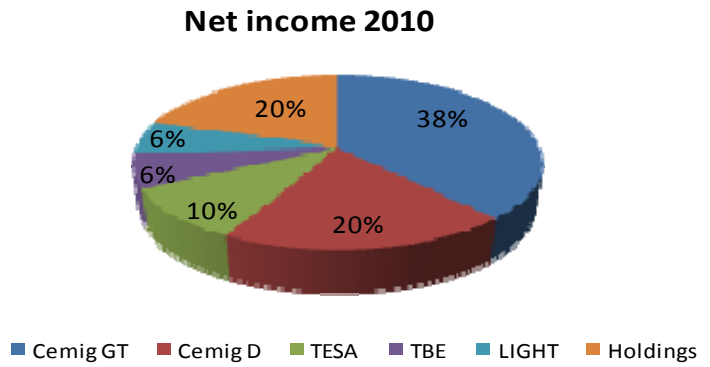
- Background
- Strategy Overview
- Business Outlook
- Acquisitions
- Results
- Market Recognition
- Regulatory Framework
- Others

# Aquisitions leverage results

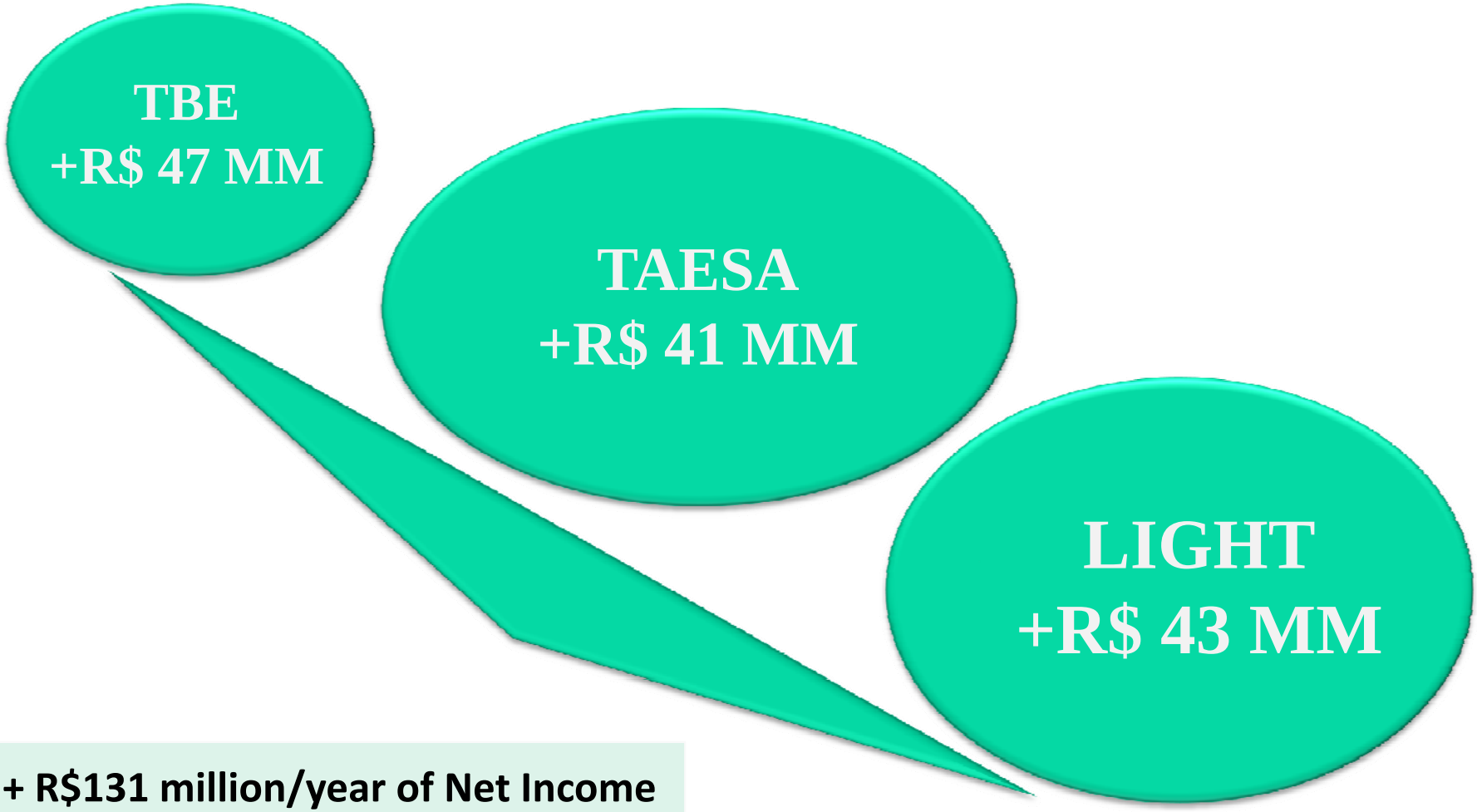
| Assets | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total |
|---|---|---|---|---|---|---|---|---|
| **Value invested in acquisitions R$ Million** | | | | | | | | **Total** |
| Rosal | 137 | - | - | - | - | - | - | **137** |
| TBE(1) | - | - | 349 | 4 | 15 | 575 | 139 | **1,081** |
| Light | - | - | 175 | - | - | - | 786 | **961** |
| **Total** | **137** | **-** | **524** | **4** | **15** | **575** | **925** | **2,178** |
| | | | | | | | | |
| **Contribution to net income** | | | | | | | | |
| Rosal | (6) | 19 | 19 | 19 | 21 | 23 | 16 | |
| TBE | - | - | 25 | 29 | 36 | 79 | 108 | |
| Light | - | - | (20) | 147 | 129 | 79 | 122 | |
| **Total** | **(6)** | **19** | **24** | **195** | **185** | **181** | **246** | |
| | | | | | | | | |
| **Dividends received** | | | | | | | | **Total** |
| Rosal | - | - | 13.3 | 17.7 | 17.4 | 58.9 | 24.7 | **132** |
| TBE | - | - | 10.4 | 33.9 | 32.8 | 29.4 | 61.7 | **168** |
| Light(2) | - | - | 0 | 75 | 107.9 | 92.1 | 179.8 | **455** |
| **Total** | **-** | **-** | **24** | **127** | **158** | **180** | **266** | **755** |

(1) Includes EBTE in construction (2008 - 2009 e 2010) - Growth of stake in 2009 e 2010
(2) Includes EBTE under construction (2008 - 2009 and 2010) - Increased participation in 2009 and 2010

- ✓ R$ 246 million of 2010 consolidated Net income came from acquisitions made in 2004–2009
- ✓ Dividends and other proceeds received from these companies represent 35% of the amount invested.



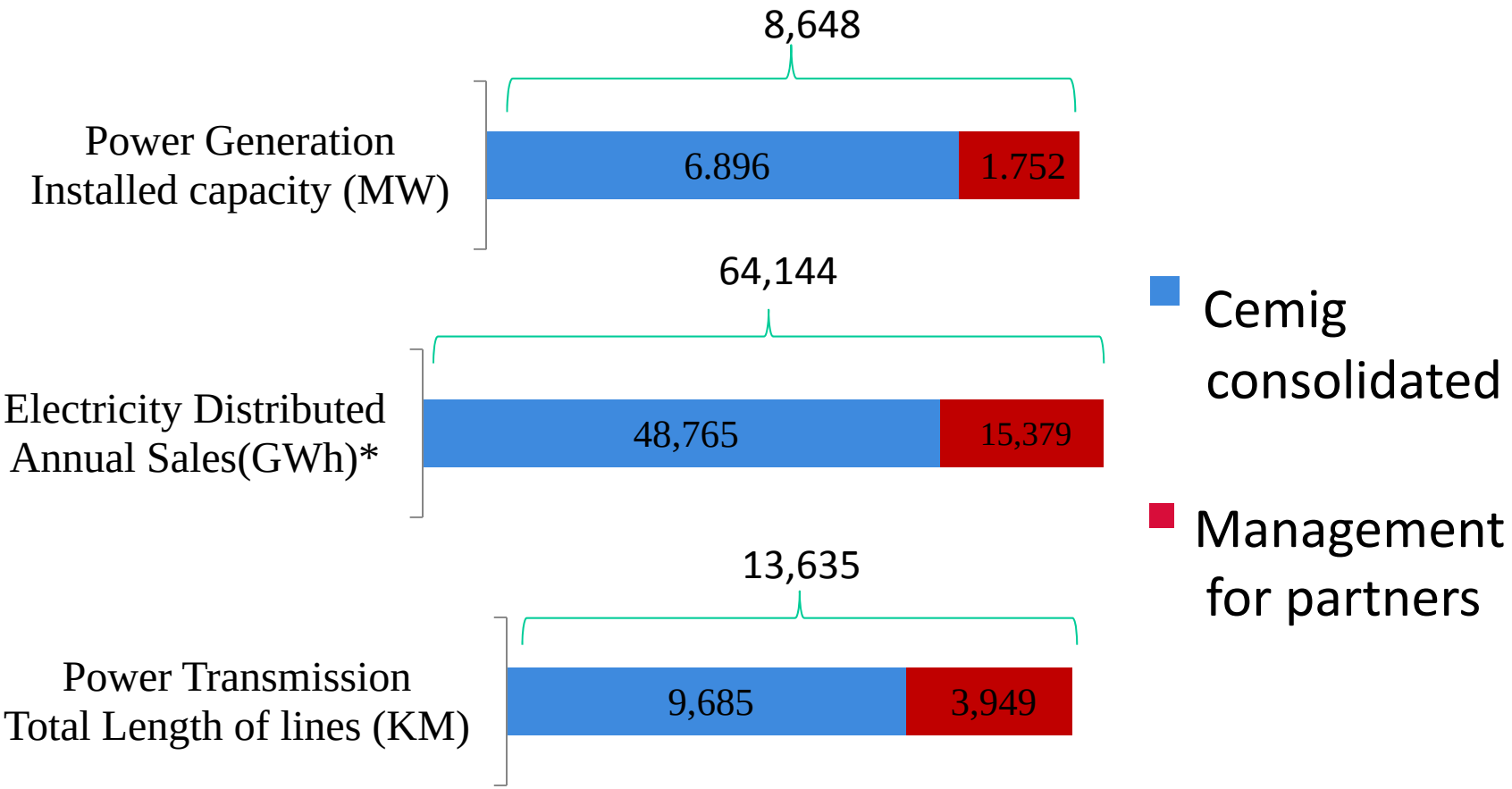
# Holdings acquired add net income to Cemig's results




**+ R$131 million/year of Net Income in 1Q2011**

# Cemig Group grows through management of assets

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



# Acquisition of Brookfield's shares in TBE (Transmission)

- ✓ In 2006 Cemig acquired a Stake in TBE
- ✓ Cemig increased its stake in TBE: R$505M paid in 2009

| 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.

# Acquisition of MDU's Shares in TBE (Transmission)

- ✓ 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% |
| | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

# Description of TBE – Power transmission 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 | 2011 |
| **TOTAL** | | **3,115** | | |

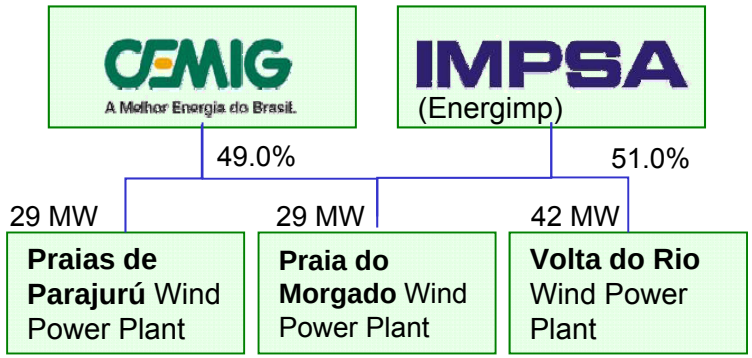
* EBTE: Cemig GT holds a 51% interest in EBTE and EATE detains the remaining 49% stake.

# Acquisition of holdings in wind farms: The Transaction

## The Transaction

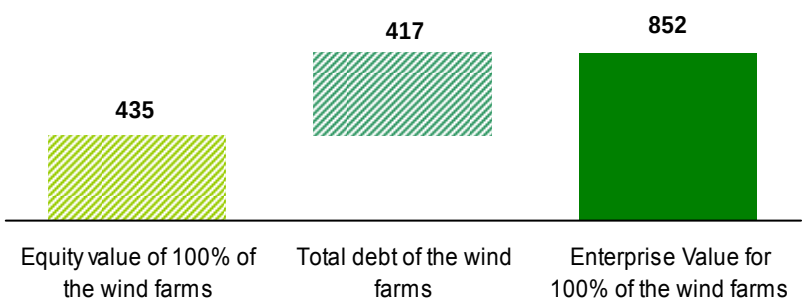
- Acquisition of 49% stockholdings in three wind farms (99.6MW) in the Brazilian State of Ceará, currently owned by **Energimp S.A.** (IMPSA).
- Price paid for the shares: R$ 223 million, to be paid to IMPSA after apporval by Aneel, the Caixa Econômica Federal ("CEF") and Eletrobrás.
- Cemig has no project completion risk in relation to the wind farms.
- Stockholders' Agreement between Cemig and IMPSA sets the conditions for governance and management.

## Resulting stockholding structure




## Equity + debt: components of EV

- R$ million



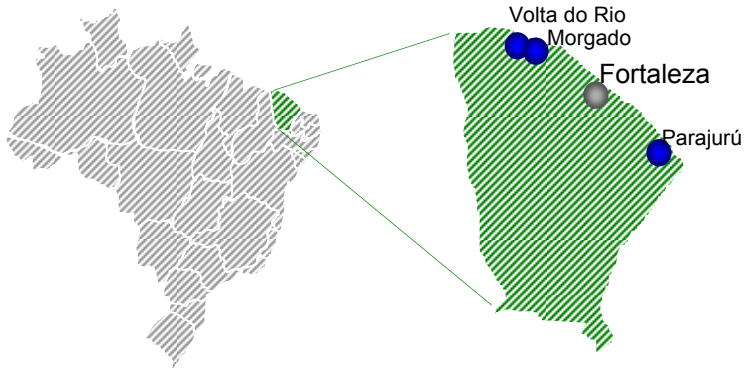

* Includes interest on financing by CEF, pro-rata, up to estimated operational startup dates.

## 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 Parajurú** 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 fromFortaleza), 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
- ✓ Acquisition in partnership with Equity 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
- ✓ 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 estimated of nearly 7.6 times EBITDA
- ✓ Innovative acquisition structure enables Cemig to use it in other expansion opportunities, in line with its long-term Strategic Plan

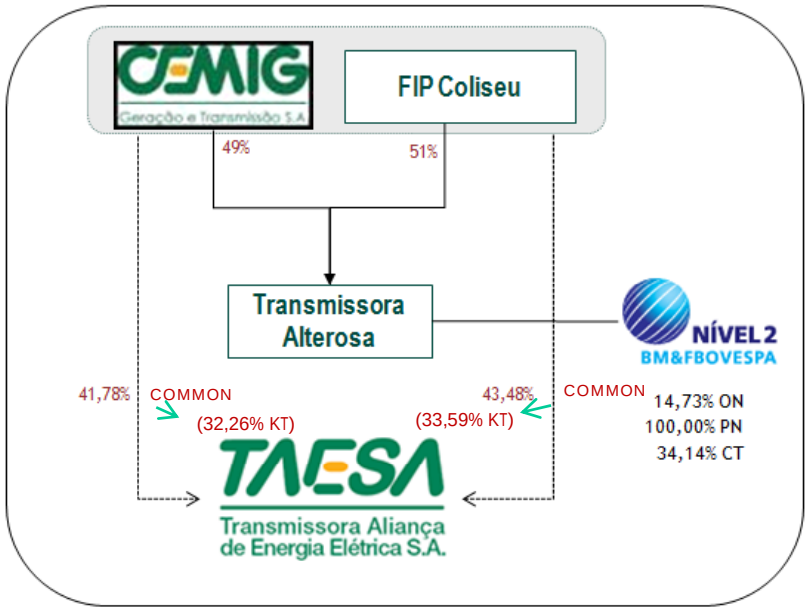
# Rationale of model for Taesa acquisition (with FIP)

- ✓ 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".

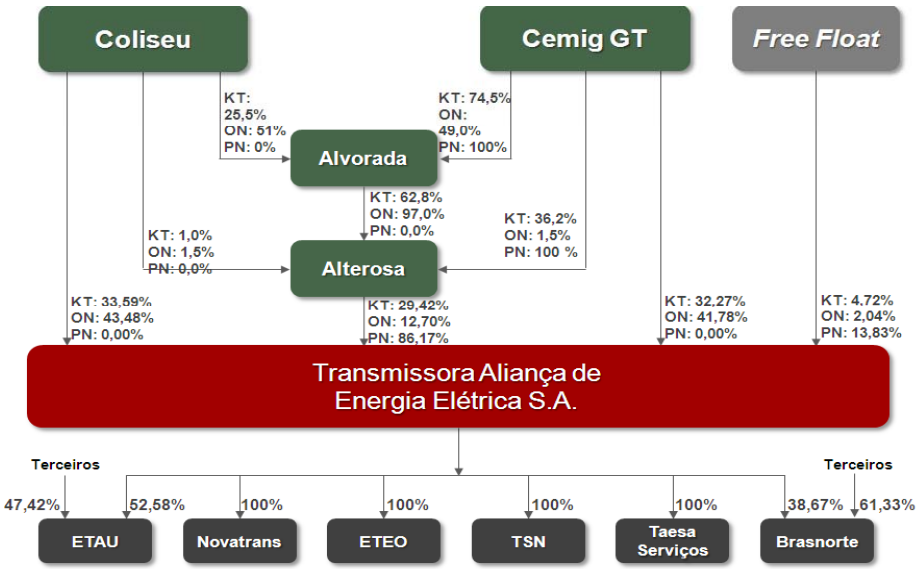
## Taesa: Structure before public offer



# 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 11th
- ✓Cemig's final interest:
  - 56.7% - total capital
  - 48.0% - ON shares
  - 86.2% - PN shares

TAESA: Structure after public offer



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

**Overview of Concessions**

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

**Geographic Footprint**

## Concessions Abengoa

| Concessions | Stake | Begin | Reduction | End | Km* |
|---|---|---|---|---|---|
| NTE | 100% | jan-02 | jan-19 | jan-32 | 383 |
| STE | 50% | dec-02 | jul-19 | dec-32 | 389 |
| ATE I | 50% | dec-04 | feb-21 | feb-34 | 370 |
| ATE II | 50% | mar-05 | nov-21 | mar-35 | 942 |
| ATE III | 50% | Apr-06 | Apr-23 | apr-36 | 454 |
| **Total** | | | | | **2.538** |

***Not Weighted by the Stake***

# Distribution: Increasing stake in Light in 2010 creates new opportunities

- ✓ 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 (As of December 2009)
  - Payment to AG Concessões for 12.50%, in march, total R$719 million
  - Final payment to AG Concessões for the remaining 0.53%, total R$30 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

- Background
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- Regulatory Framework
- Others

# CAPEX(R$ Million)

## Investment program

| | | Planned | |
|---|---|---|---|
| **Activity** | **Realized in 1Q11** | **2011** | **2012** |
| **P1 Projects** | **124** | **1,537** | **1,127** |
| Generation | 4 | 165 | 84 |
| Transmission | 2 | 72 | 87 |
| Cemig D | 117 | 1,299 | 954 |
| Cemig (Holding co.) | - | 1 | 2 |
| **Light for everyone program** | **88** | **374** | **-** |
| CDE funding | - | -142 | -58 |
| minas Gerais State | - | -189 | -16 |
| **Acquisition** | **5** | **408** | **7** |
| Light/Redendetor offering(Equity) | - | 388 | - |
| TBE | 5 | 20 | 7 |
| **Total Geral** | **217** | **2,319** | **1,134** |

Amounts estimated from 2010 onward, based on corporate planning, at December 2010 prices. They include the basic investments required to maintain the routine of the Distribution, Generation and Holding companies.

# 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 Guanhães PCH | 49 | | 14 | | | |
| Jacaré JCH | 49 | | 9 | | | |
| Fortuna II PCH | 49 | | 9 | | | |
| Itaocara | 49 | | | | | 194 |
| Paracambi | 49 | | | 25 | | |
| Lajes | 49 | | 18 | | | |
| Capacity under construction | | - | 82 | 25 | 3,150 | 194 |
| Cemig stake (MW) | | - | 40 | 12 | 315 | 95 |
| CEMIG TOTAL | | 6,769 | 6,809 | 6,821 | 7,136 | 7,231 |

## Power Transmission Expansion

| Length of transmission network/km | CEMIG % | 2010 |
|---|---|---|
| EBTE | | 775 |
| Cemig stake (Km) | 65.73 | 509 |
| CEMIG TOTAL | | 509 |

# Large Growth in Cash Flow

| Cash Flow Statement | 1Q11 | 1Q10 | Change% |
|---|---|---|---|
| **Cash at beginning of period** | **2,979** | **4,425** | **(33)** |
| **Cash generated by operations** | **474** | **1,156** | **(59)** |
| Net profit | 526 | 520 | 1 |
| Depreciation and amortization | 233 | 214 | 9 |
| Suppliers | (16) | 72 | (122) |
| Provisions for operational losses | 34 | (4) | (950) |
| Other adjustments | (303) | 354 | (186) |
| **Financing activities** | **(24)** | **81** | **(130)** |
| Financings obtained and capital increase | 325 | 3,197 | (90) |
| Payments of loans and financings | (349) | (3,112) | (89) |
| Interest on Equity, and dividends | - | (4) | (100) |
| **Investment activity** | **(696)** | **(1,175)** | **(41)** |
| Securities - Financial Investment | (528) | - | - |
| Fixed and Intangible assets | (168) | (1,175) | (86) |
| **Cash at end of period** | **2,733** | **4,487** | **(39)** |

✓ 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., TAESA and TBE companies)

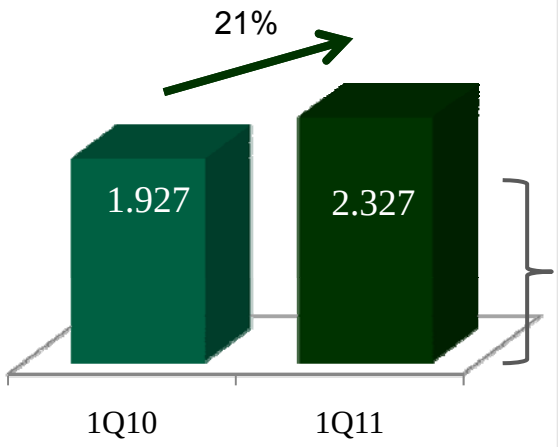
| Operating Revenues | 1Q11 | 1Q10 | Change% |
|---|---|---|---|
| Sales to end consumers | 3,534 | 3,086 | 15 |
| TUSD | 524 | 335 | 57 |
| Supply + Transactions in the CCEE | 432 | 377 | 15 |
| Revenues from Trans. Network | 329 | 318 | 4 |
| Gas Supply | 126 | 90 | 41 |
| Others | 89 | 65 | 36 |
| **Subtotal** | **5,034** | **4,271** | **18** |
| Deductions | (1,648) | (1,393) | 18 |
| **Net Revenues** | **3,387** | **2,878** | **18** |

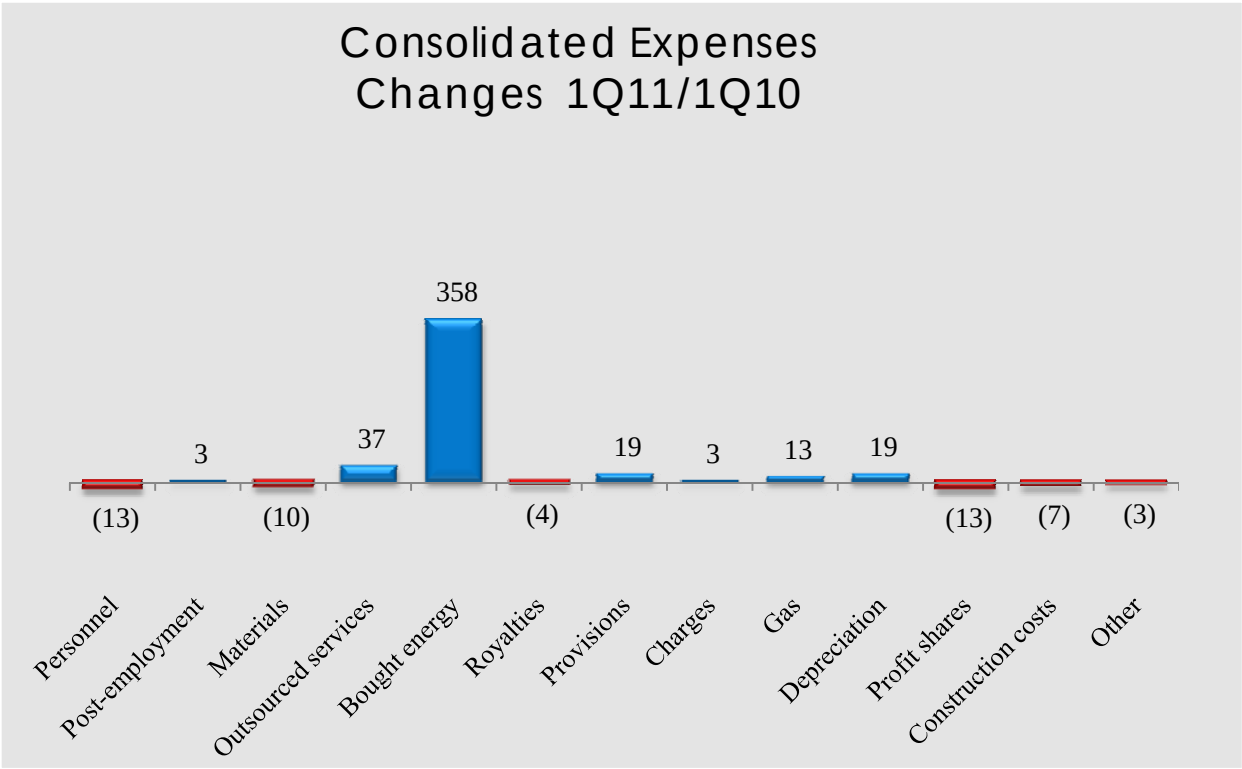
# Operating Expenses

| Operating Expenses | 1Q11 | 1Q10 | Change% |
|---|---|---|---|
| Personnel/Administrators/Councillors | 282 | 295 | (4) |
| Forluz – Post-Retirement Employee Benefits | 31 | 28 | 11 |
| Materials | 18 | 28 | (36) |
| Contracted Services | 215 | 178 | 21 |
| Purchased Energy | 1,076 | 718 | 50 |
| Royalties | 38 | 42 | (10) |
| Depreciation and Amortization | 233 | 214 | 9 |
| Operating Provisions | 41 | 23 | 78 |
| Charges for Use of Basic Transmission Network | 190 | 187 | 2 |
| Gas Purchased for Resale | 62 | 49 | 27 |
| Other Expenses | 69 | 73 | (5) |
| Employee Participation | 23 | 36 | (36) |
| Cost from Operation | 49 | 56 | (13) |
| **TOTAL** | **2,327** | **1,927** | **21** |

# Consolidated operational expenses

**Expenses - R$ million**




✓Program of operational efficiency and cost reduction is producing results

- Personnel expenses R$ 13 million lower YoY in 1Q11

✓Priority for preventive maintenance increases expenses on outsourced services

✓Growth of expenses on electricity bought for resale arises from greater selling activity of Cemig GT, and increased load for Cemig D

- Increase in bought electricity at Cemig D is a non-controllable cost, passed on to the tariff

# Expansion of consolidated net income in the year

- ✓ 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 | 1Q11 | 1Q10 | Change% |
|---|---|---|---|
| Net Revenue | 3,387 | 2,878 | 18 |
| Operating Expenses | 2,327 | 1,927 | 21 |
| **EBIT** | **1,060** | **951** | **11** |
| **EBITDA** | **1,292** | **1,165** | **11** |
| Financial Result | (283) | (129) | 119 |
| Provision for Income Taxes, Social Cont & Deferred Income Tax | (251) | (302) | (17) |
| **Net Income** | **526** | **520** | **1** |

# Cemig Distribuição

| Statement of Results | 1Q11 | 1Q10 | Change% |
|---|---|---|---|
| Net Revenue | 1.726 | 1.647 | 5 |
| Operating Expenses | 1.432 | 1.292 | 11 |
| **EBIT** | **294** | **355** | **(17)** |
| **EBITDA** | **389** | **449** | **(13)** |
| Financial Result | (73) | (49) | 49 |
| Provision for Income Taxes, Social Cont & Deferred Income Tax | (77) | (124) | (38) |
| **Net Income** | **144** | **182** | **(21)** |

| CEMIG D Market | | | | |
|---|---|---|---|---|
| | (GWh) | | | GW |
| Quarter | Captive Consumers | TUSD ENERGY1 | T.E.D2 | TUSD PICK3 |
| 1Q09 | 5,448 | 3,269 | 8,717 | 21 |
| 2Q09 | 5,478 | 3,593 | 9,071 | 21 |
| 3Q09 | 5,666 | 3,915 | 9,581 | 22 |
| 4Q09 | 5,740 | 4,304 | 10,044 | 22 |
| 1Q10 | 5,613 | 4,385 | 9,998 | 23 |
| 2Q10 | 5,710 | 4,914 | 10,624 | 24 |
| 3Q10 | 5,841 | 5,047 | 10,888 | 25 |
| 4Q10 | 5,938 | 4,927 | 10,865 | 25 |
| 1Q11 | 6,034 | 4,797 | 10,831 | 25 |

1. Refers to the quantity of electricity for calculation of the regulatory charges charged to free consumer clients ("Portion A")
2. Total electricity distributed
3. Sum of the demand on which the TUSD is invoiced, according to demand contracted ("Portion B").

# Cemig Geração e Transmissão

| Statement of Results | 1Q11 | 1Q10 | Change% |
|---|---|---|---|
| Net Revenue | 1,014 | 885 | 15 |
| Operating Expenses | 463 | 437 | 6 |
| **EBIT** | **551** | **448** | **23** |
| **EBITDA** | **645** | **543** | **19** |
| Financial Result | (179) | (92) | 95 |
| Provision for Income Taxes, Social Cont & Deferred Income Tax | (126) | (123) | 2 |
| **Net Income** | **246** | **233** | **6** |

| Operating Revenues | 1Q11 | 1Q10 | Change% |
|---|---|---|---|
| Sales to end consumers | 593 | 470 | 26 |
| Supply | 393 | 364 | 8 |
| Revenues from Trans. Network + Transactions in the CCEE | 198 | 190 | 4 |
| Others | 101 | 90 | 12 |
| **Subtotal** | **1,285** | **1,114** | **15** |
| Deductions | (271) | (229) | 18 |
| **Net Revenues** | **1,014** | **885** | **15** |

# Agenda

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

# Market Recognition

Dow Jones Sustainability Indexes
Member 2010/11

**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.**

Índice de Sustentabilidade Empresarial ISE 2011

**Included in Bovespa Corporate Sustainability Index.**

anuário TELECOM. DESTAQUE DO ANO 2009

IR magazine AWARDS

✓ Best analyst meeting

Apimec

✓ 37th Apimec Award

# Appendix

- Regulatory Framework
- Others

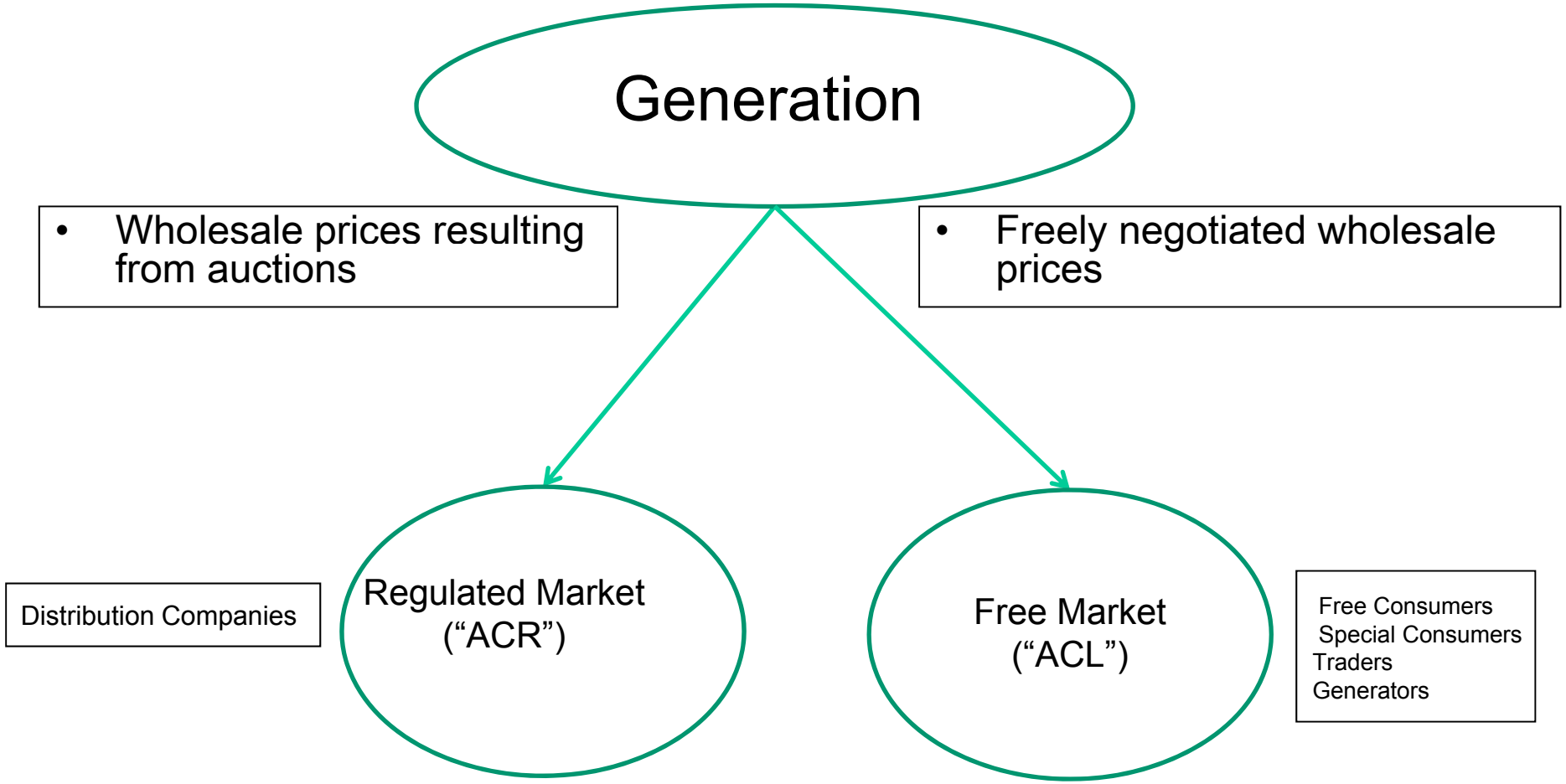
# Power Generators are the most exposed to risks

- 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

- 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; (can be from 3 to 15 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 for hydro an 15 years for thermos
    - No risk on the contractual volume reduction by distributors.

# Brazil's electricity markets




Co-existence of two markets: competitive, and regulated

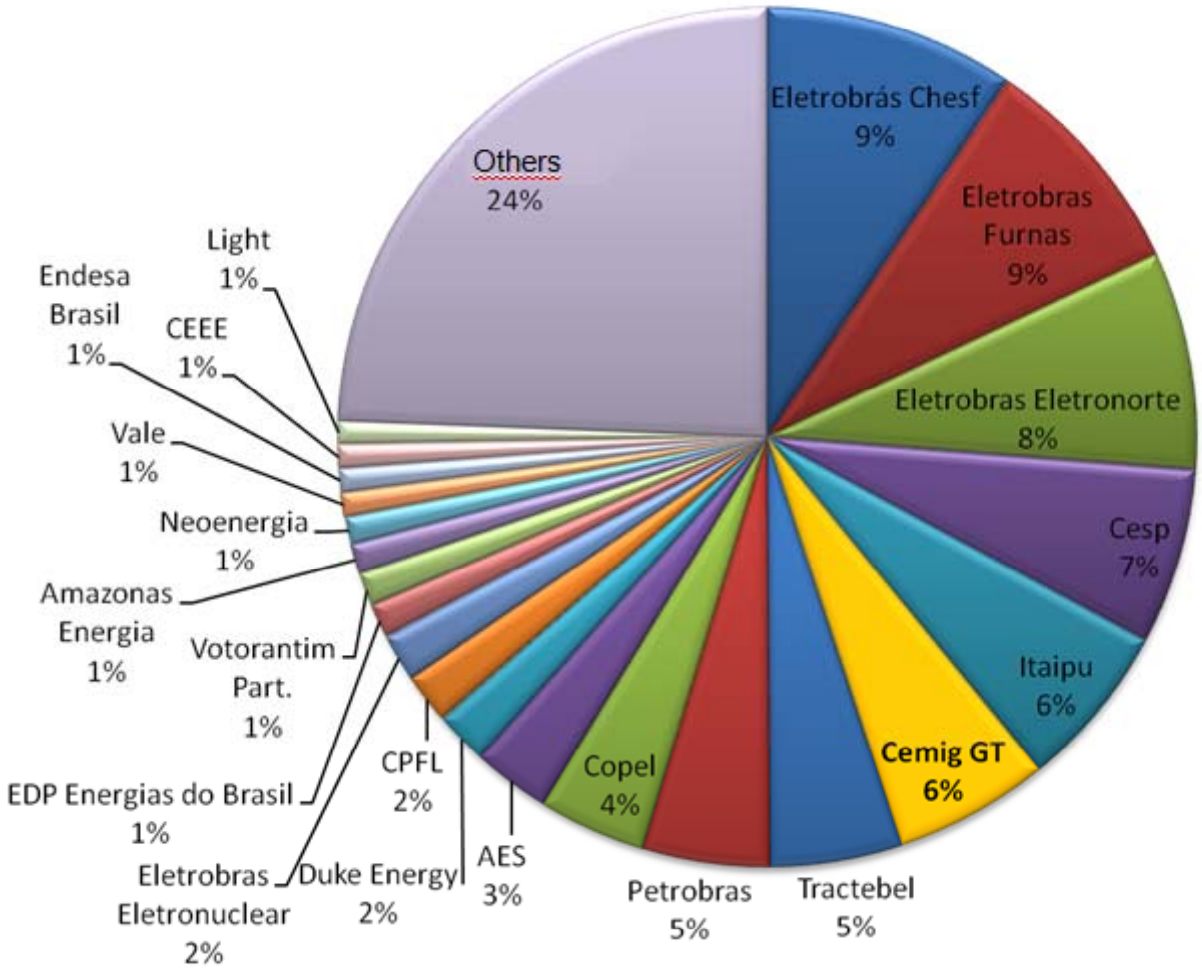
# Types of contracting in the Regulated Market

| | **A–5 New Energy Auctions** | **A–3 New Energy Auctions** | **A–1 Existing Generation Auctions** | **Adjustment Auctions** | | **Local Generation Auctions (Distribution Company Option)** |
|---|---|---|---|---|---|---|
| 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

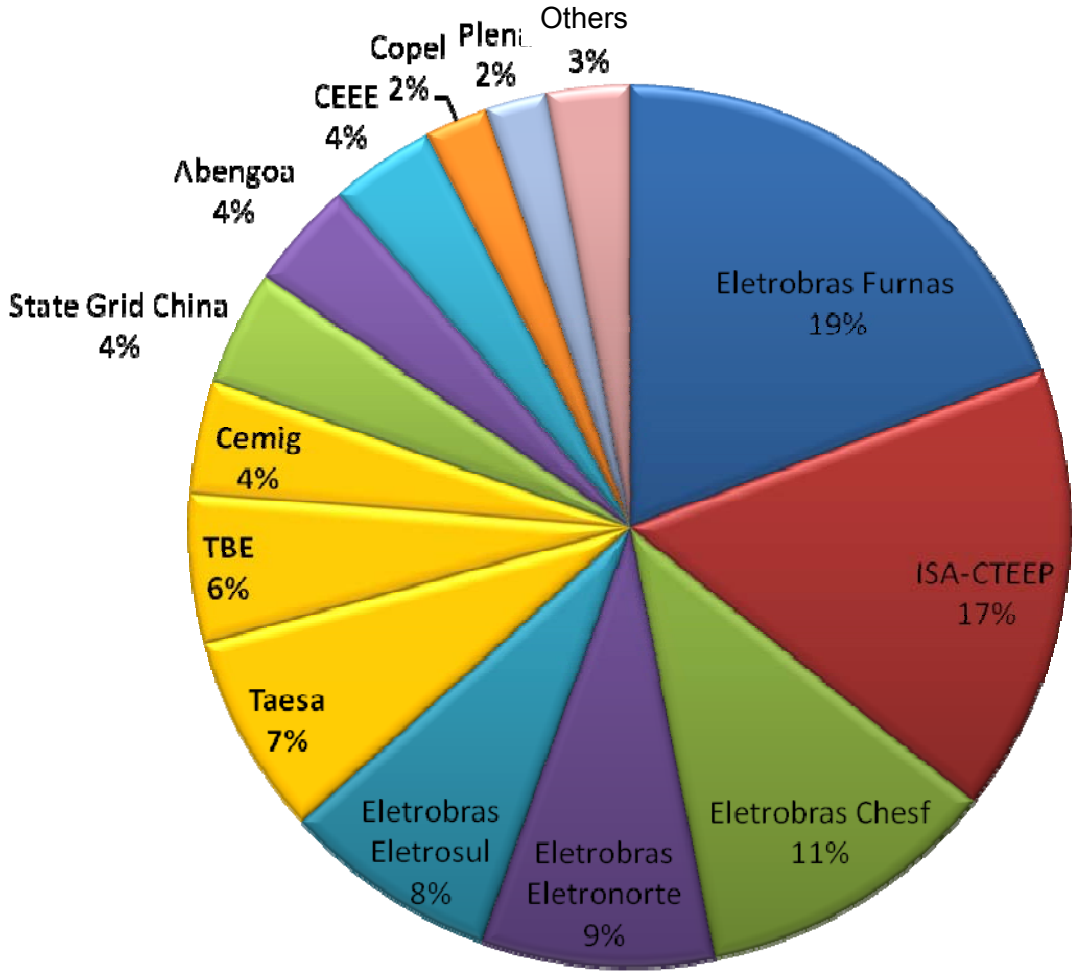
- Objective: To further increase the security of the System by diversifying supply sources
- Energy sources: So far specific auctions for Small Hydro Plants ("PCHs") and plants generating from wind energy and biomass.
- Contract periods:
  - Hydro: 30 years
  - Biomass:15 years
  - Wind: 20 years

# Brazilian generation market – 2010 (% of total installed capacity)




Source: ANEEL, Cemig

# Brazilian transmission market – 2010 (% of Permitted Annual Revenue (RAP))




Source: ANEEL, Cemig

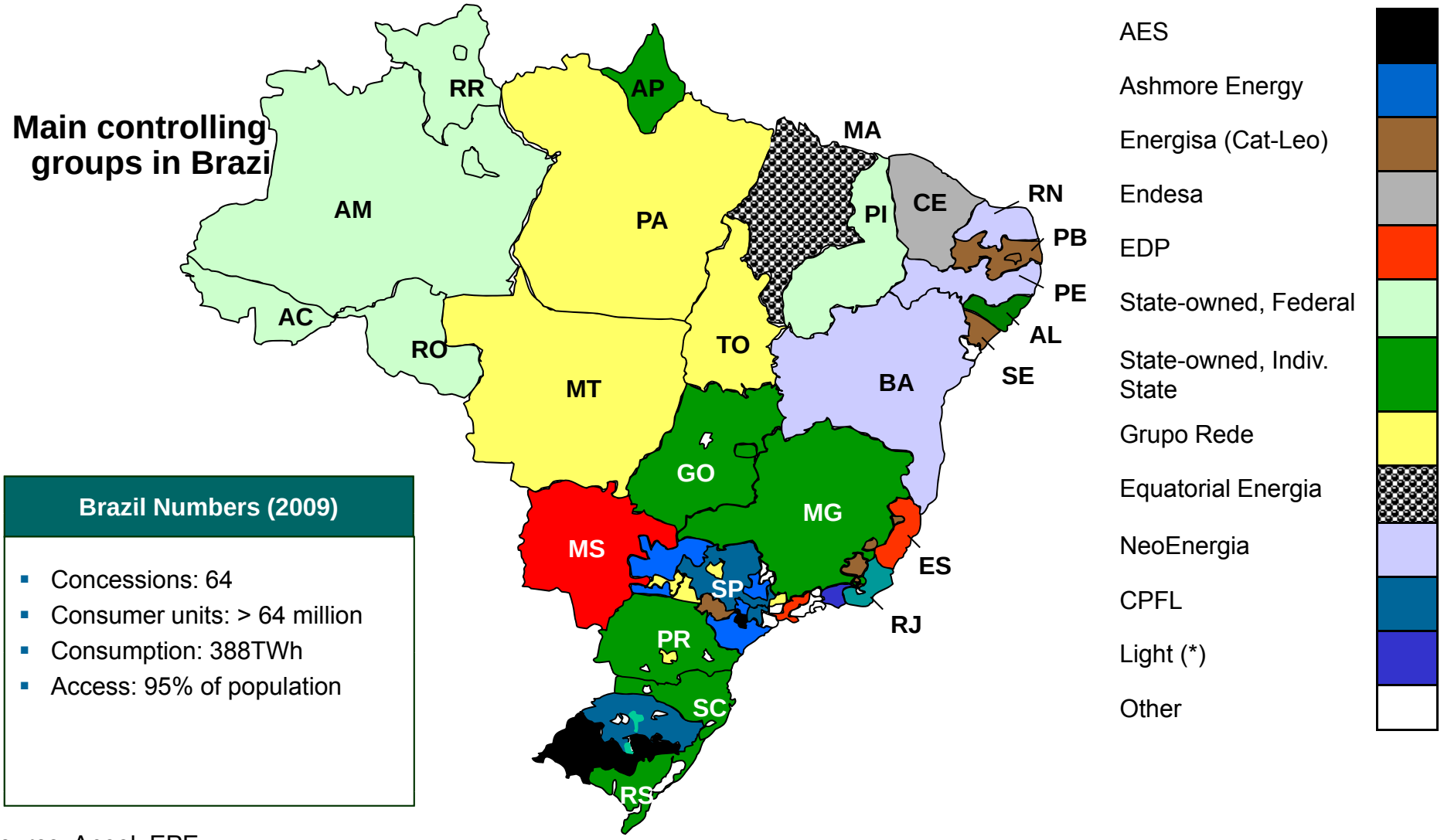
# Transmission regulation is the most successful one

- Competition for concession contract:
  - Cap price approach: annual permitted revenue;
  - 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

- 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 every four years
- 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



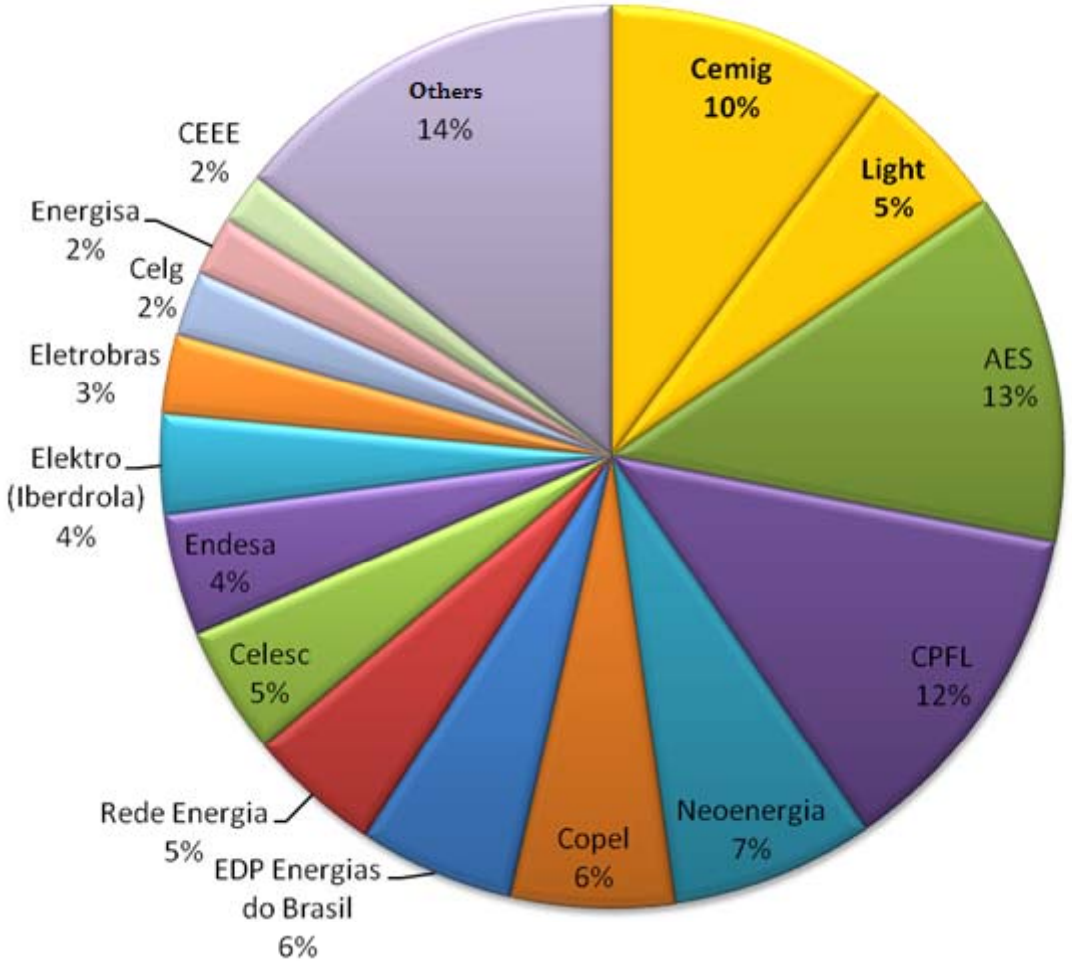

**Brazil Numbers (2009)**

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

Source: Aneel, EPE

(*) Cemig has 26,06% stake

# Brazilian distribution market – 2010 % of all electricity distributed to free and captive clients in Brazil)

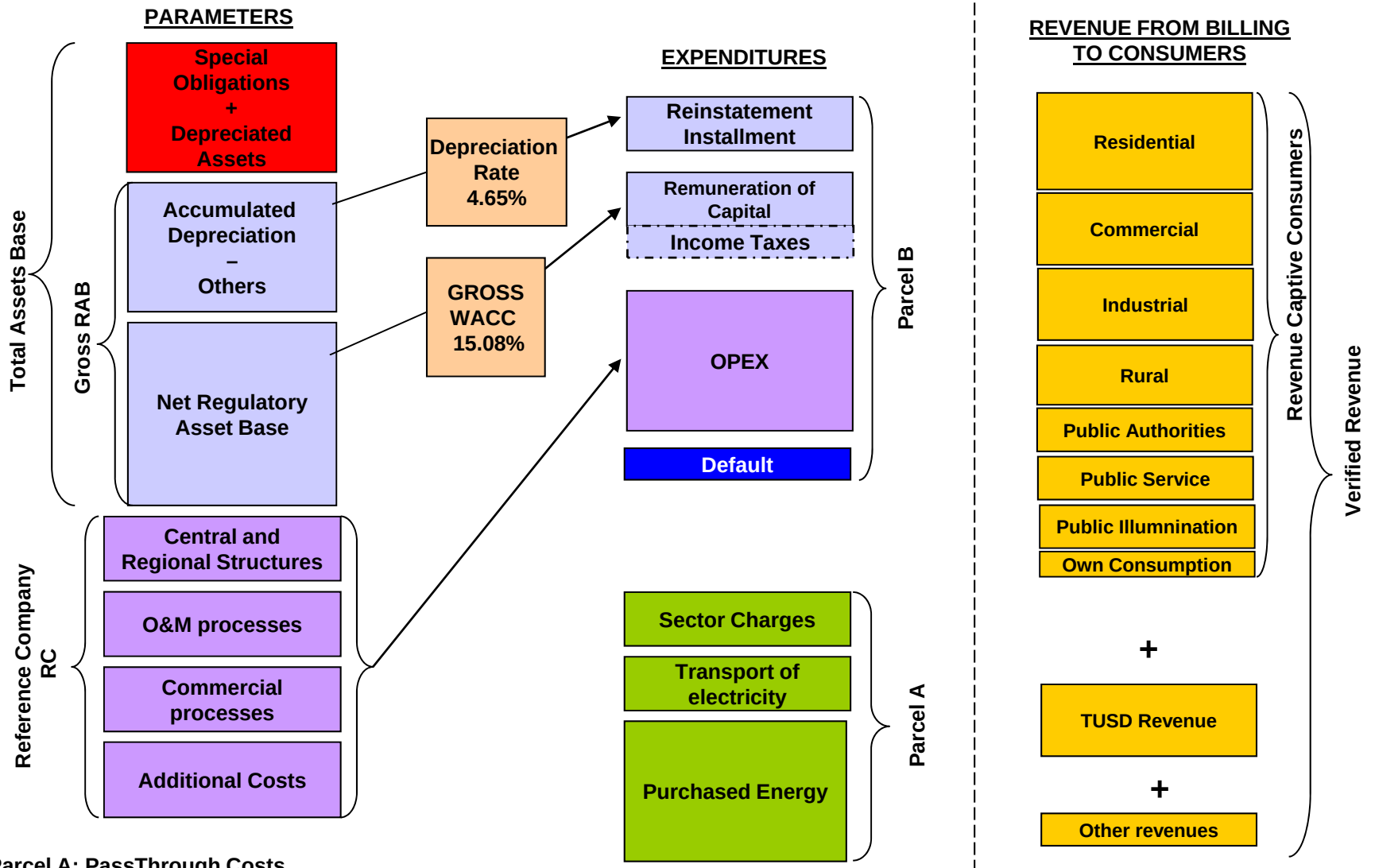



Source: EPE, Cemig

# Electricity Distribution business is the most regulated one

- 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.

# Electricity Distribution Tariff Review Process




Parcel A: PassThrough Costs

Parcel B: Operating Costs

# Appendix

- 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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