



# Successful Strategy

**Business Portfolio Ensures Results**  
Mr. Antonio Carlos Vélez Braga, IRO



# 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.

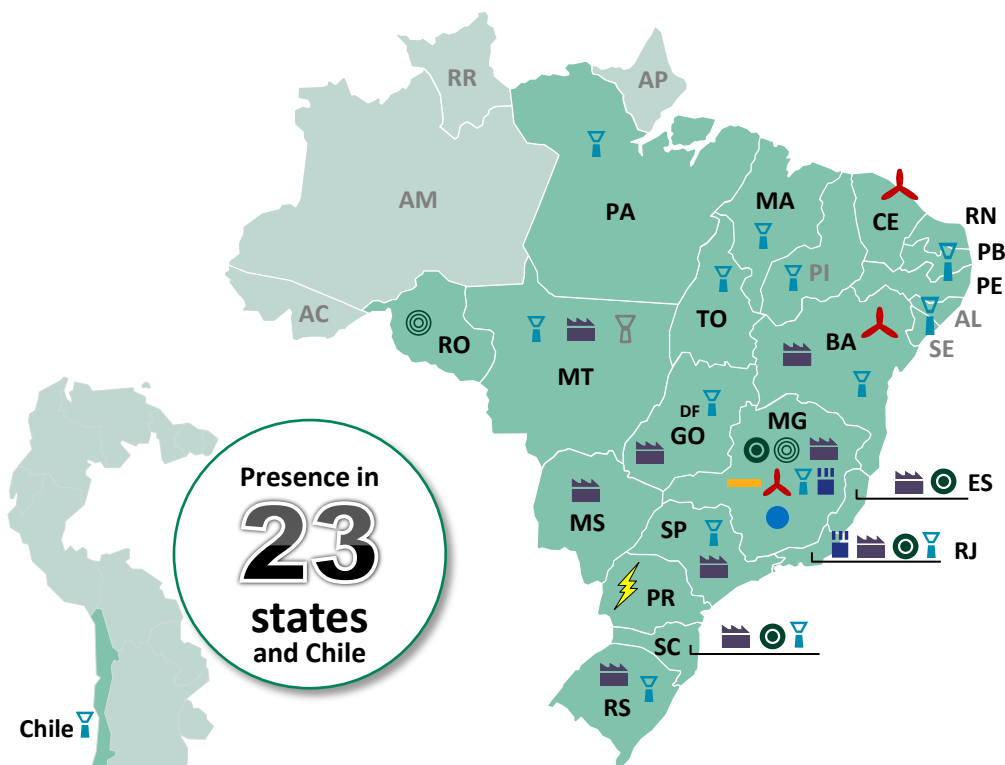
# Brazil: Emerging Powerhouse Economy



<b>#1</b>	Latin American economy
<b>#7</b>	Ranking in world economy
<b>US\$2.2T</b>	GDP 2010
<b>7.5%</b>	GDP growth 2010
<b>&gt; 60%</b>	Share of GDP - Southeast Region
<b>&gt; US\$145B</b>	Power industry revenue - 2010

- ✓ The demand for electricity will increase to 633 Twh from 415 Twh in 10 years
- ✓ New power capacity to be built will surpass 50 GW
  - Hydro capacity will add 33 GW
  - Wind farms will add another 5GW
- ✓ Transmission capacity is also needed due to the long distances between power plants and consumption centers

# Cemig: Largest Integrated Utility in Brazil



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

\*Includes Abengoa and Renova

**#1**  
Electricity distributor\*

**#3**  
Power transmission group

**#3**  
Power generation group

\* In numbers of consumers and extension of distribution lines



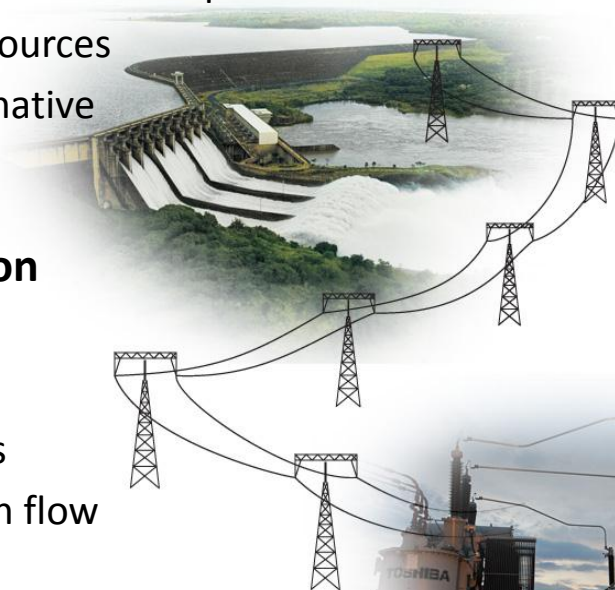
# Cemig: Largest Integrated Utility in Brazil



## Power Generation

6,925 MW of capacity

- ✓ 7% market share
- ✓ Sources such as hydro are still competitive
- ✓ Growth in renewable sources
- ✓ Natural gas as an alternative



## Non-regulated market

25% market share



## Power Transmission

9,685 Km

- ✓ 13% market share
- ✓ Highest Ebitda margins
- ✓ Stable returns and cash flow



## Electricity Distribution

494,481 Km

- ✓ 12% market share
- ✓ Strongly regulated
- ✓ Scale gains to achieve higher returns
- ✓ Sector in process of consolidation






## Retail

Largest distribution company

# Well-Diversified Portfolio, still Evolving



	2Q2011 (% of EBITDA <sup>1</sup> )	Long-Term Goal (% of EBITDA)
 <b>Generation</b>	42%	40%
 <b>Transmission</b>	19%	20%
 <b>Distribution &amp; Others<sup>2</sup></b>	39%	40%

Note: 1. Breakdown of EBITDA 1Q2011

2. Including Natural Gas Distribution, Electricity Distribution, Telecom, Services

# Cemig's financial strength makes it a safe haven



✓ Leverage indicators support Cemig's advantageous position, even in stressful world financial markets

➤ Level of debt permits a solid liquidity situation

- 1.1% of the total is denominated in US dollars
- Average maturity is 3.5 years

➤ Debt coverage indices at comfortable levels

- Net debt / Ebitda: 2.2 times

➤ Strong cash position

- R\$ 3 billion in cash at the end of 2Q11

✓ Recognition of credit quality, solidity of Cemig's balance sheet, ensure access to funding

➤ **FitchRatings:** *"The ratings of Cemig and its subsidiaries reflect the positive way in which the group has preserved its solid financial profile (...) Cemig has a satisfactory history of raising finance, even in more challenging scenarios."*

# Leadership in sustainability, a core value at Cemig



- ✓ Social and Environmental responsibilities
- ✓ Commitment to long term vision
- ✓ 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 twelfth year in a row, now world leader in Utilities “Supersector”
  - Selected member of Corporate Sustainability Index of the São Paulo Stock Exchange (Bovespa) for the sixth year in a row





# Long term strategy aligned with shareholders' interests



## ✓ Value creation is a permanent commitment

- **Alignment with shareholders' interests**
  - Corporate governance as a strategic value
  - Transparency in the decision making process
- **Profitability metrics to assure attractiveness of projects**
  - Strict financial discipline when investing
  - Investments that add value to our shareholders
  - Best management practices and detailed actions plans to capture synergies
  - Continuous technological and operational improvements
- **Ability to create innovative structure to finance expansion**
  - Partnerships with Equity Investment Funds (FIPs) in recent acquisitions (Terna and Light) to create a new growth driver
  - Partnership with FIPs produces a growth strategy that optimizes capital needs
- **Track record of accretive acquisitions**
  - Growth vehicles to carry out expansion more efficiently

# Long term strategic plan to meet shareholders' interests

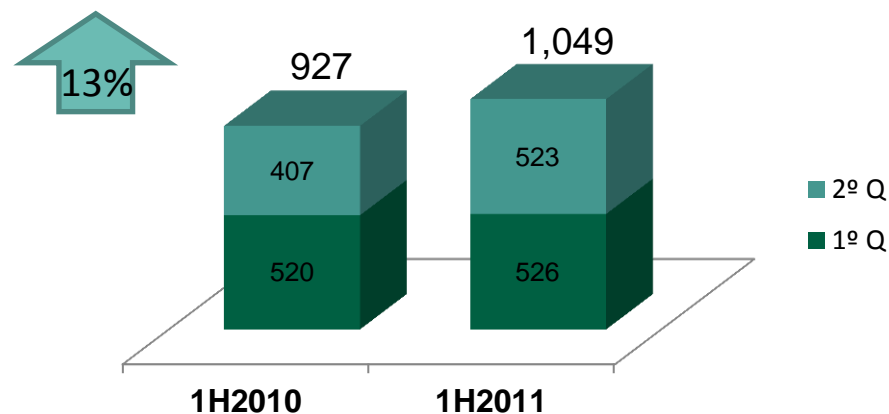
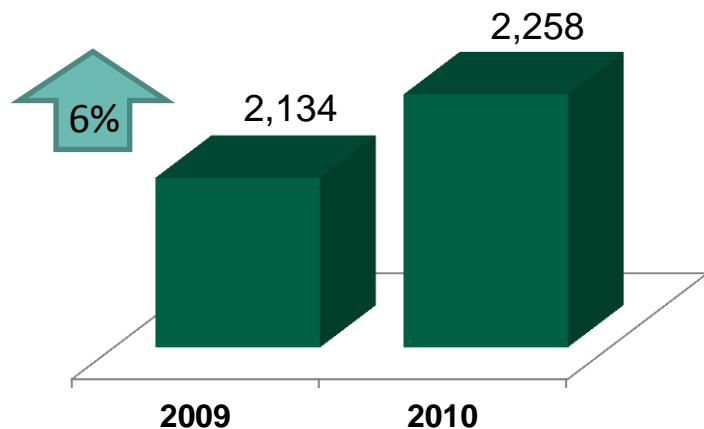


- ✓ **Focusing on the power industry to maximize gains**
  - Growth within Brazil's geographical area
  - First steps toward international investments
  - Expansion in line with sustainable growth
  - Investments solely in power industry and gas distribution related business
- ✓ **Addressing shareholders' long-term interests**
  - Dividend policy: minimum 50% of payout and extraordinary dividends every other year, provided cash availability (stated in the bylaws)
  - Corporate governance focused on respect of minority shareholders' interests
- ✓ **Preserve financial strength to secure a broader access to the investor markets**
  - Cash flow stable and predictable
  - Net Debt limited to 2.5 x EBITDA
  - Net Debt limited to 50% of Net Debt plus Shareholders' Equity
- ✓ **Growth model supports Cemig's leading role in Brazilian electricity**
  - More efficient projects based on the accumulated expertise in operating electricity facilities
  - Acquisition of assets to increase the synergy with and between existing assets
  - Experienced project developer

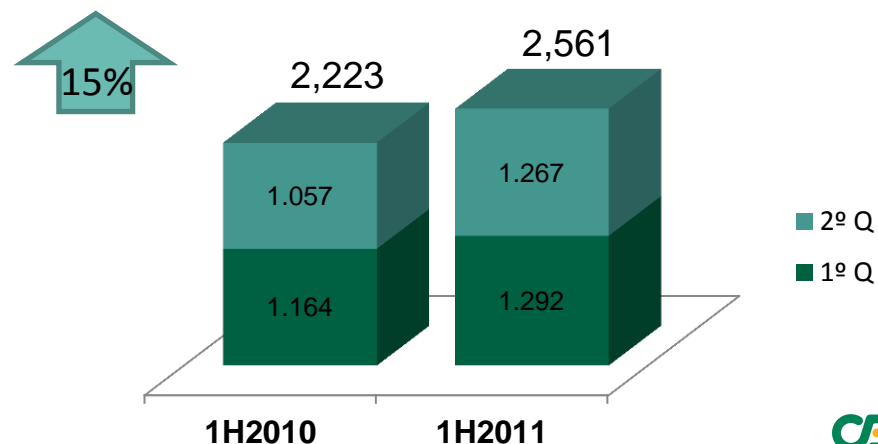
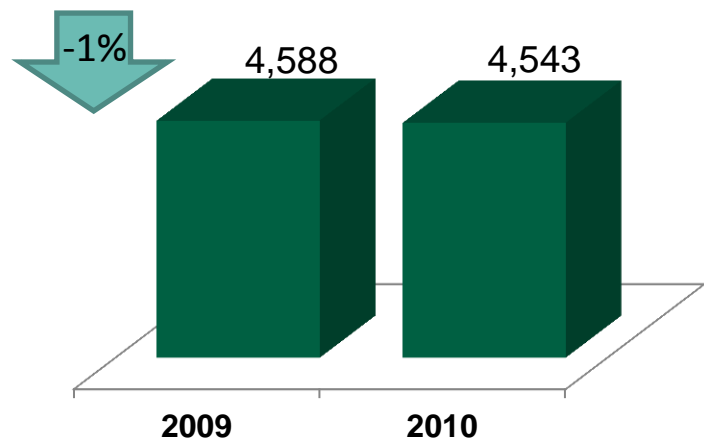
# Strategic Plan Results: Net income & EBITDA



## Net Income



## EBITDA



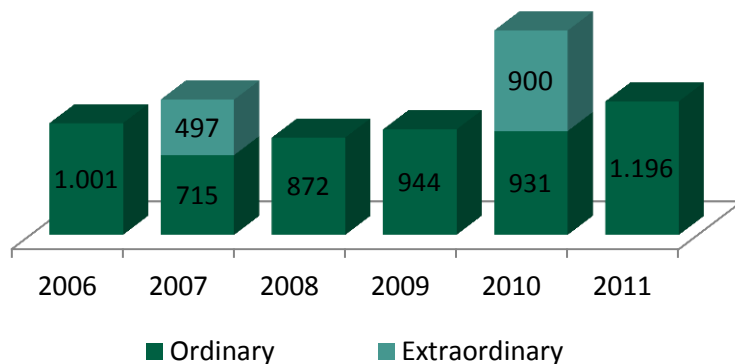
2º Q  
1º Q

# Strategic Plan Results: Dividends

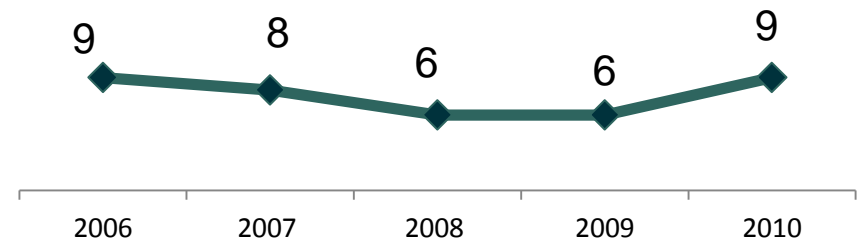


- ✓ Dividends paid in 2010 reached R\$ 1.8 billion
  - Ordinary dividends of R\$ 931mn; paid in equal parts in June and December 2010
  - Extraordinary dividends of R\$ 900 million; paid in December 2010
- ✓ Approved Net Income distribution for 2010:
  - 52.97% of the net profit - R\$ 1.196 billion to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

**Dividends paid<sup>(\*)</sup> - (R\$ Million)**

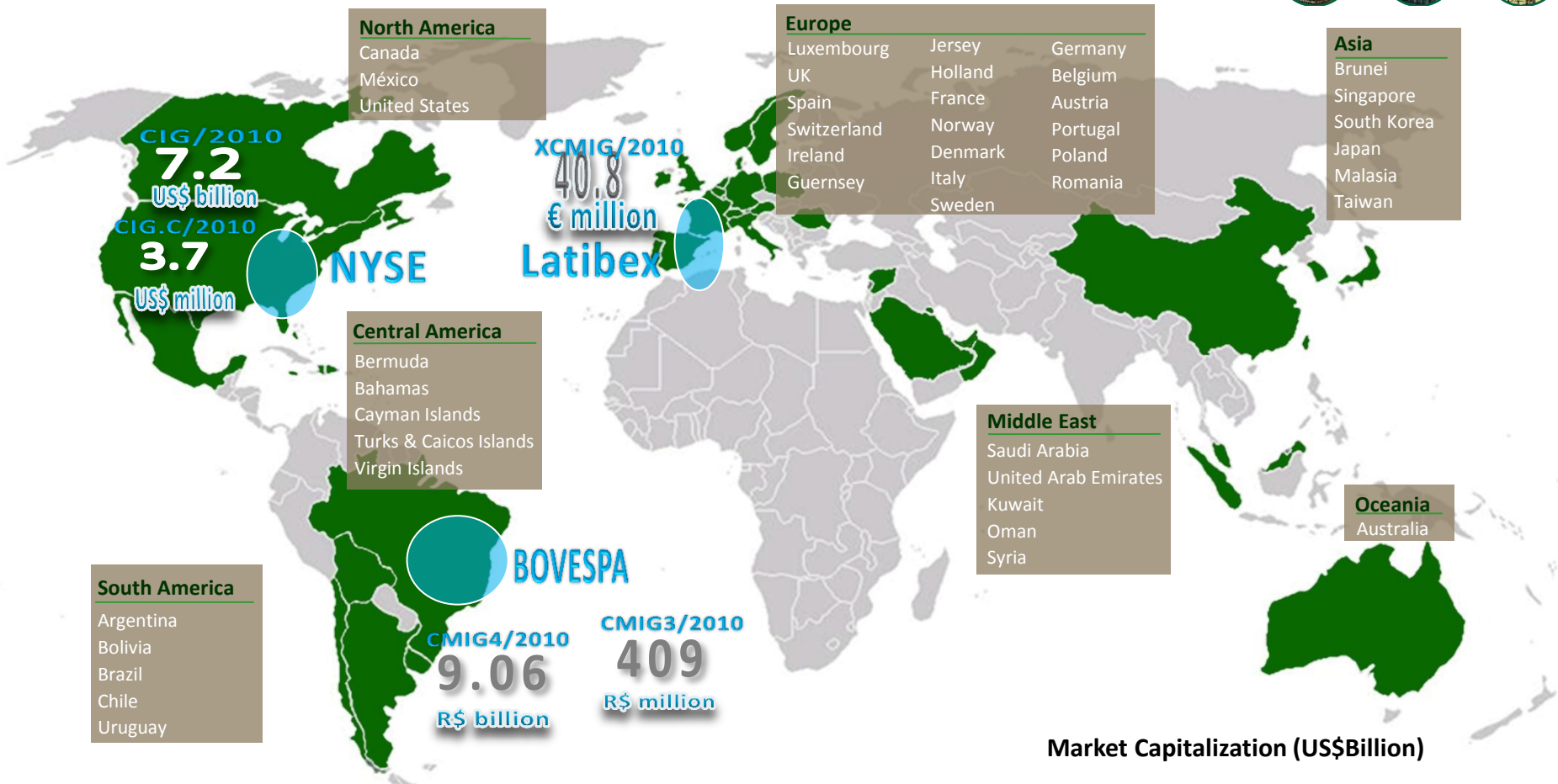


**Dividend Yield (%)**



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

# Strong shareholder base assures liquidity

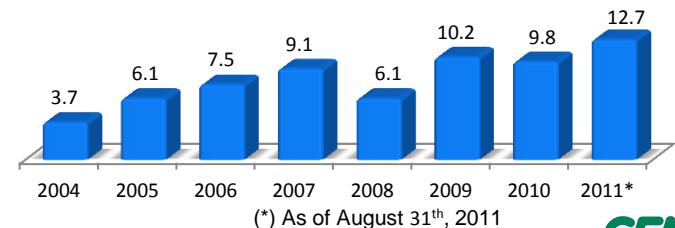


Average Daily Trading Volume – 2010

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

- ✓ Shares traded in 3 Stock Exchanges
- ✓ More than 114,000 shareholders in 44 countries

Market Capitalization (US\$Billion)





# Opportunities Outlook



## • Short term

- ✓ Update the long term strategic plan to review shareholders' alignment.
- ✓ Improve operating performance to capture additional gains and synergies in all businesses
  - Reduce energy losses in Rio de Janeiro
  - Refurbish old power plants
- ✓ Enhance service quality to meet the requirements of the concession area
  - Soccer World Cup
  - Olympic Games
- ✓ Incorporate operationally the acquired assets
  - Transmission facilities
- ✓ Carefully monitor regulatory process
  - 3rd. Rate Review Cycle
  - Renewals of the concession contracts to expire in 2015

## • Long term

- ✓ Continue leading the power industry assets' consolidation to gain scale
- ✓ Develop skills to compete in the concession contract auctions
- ✓ Develop the natural gas business:
  - Carry out the expansion of the gas distribution business
    - Residential client supply will require additional gas pipeline network expansion
  - Natural gas pipeline construction
  - Studies on natural gas drilling



Investor  
Relations

55 (31) 3506-5024

[ri@cemig.com.br](mailto:ri@cemig.com.br)

<http://ri.cemig.com.br>

