



Successful Strategy

Business Portfolio Ensures Results

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Brazil: Emerging Powerhouse Economy



#1

Latin American economy

#6

Ranking in world economy

US\$2.3T

GDP 2011*

3.0%

GDP growth 2011*

> 60%

Share of GDP - Southeast Region

> US\$145B

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
 - The hydro capacity will be added by 33 GW
 - Wind farms will add another 5GW
- ✓ Transmission capacity is also needed due to the long distance the power plants are from the consumption center

Cemig: The Leading Brazilian Power Utility



Integrated power utility in Brazil

#1

Size of concession area vs. France

Larger

Dividend payout ratio

> 50%

Structured for global investors vs. peers

**Best
structured**

Role in consolidating the industry

Leader

Business structure with low risk for shareholders



✓ Power generation

- Traditional sources, mainly hydro: competitive
- Growth in renewable sources
- Natural gas as an alternative

✓ Power transmission

- High Ebitda margins
- Stable returns and cash flow

✓ Electricity distribution

- Strongly regulated
- Scale gains are needed for achieving higher returns
- Sector in process of consolidation

✓ Natural gas distribution (Gasmig)

- Same concession area as Cemig Distribution (Cemig D)
- Partnership with Petrobras (Petrobras 40%, Cemig 55%)
- Sector in process of consolidation

✓ Telecommunication backbone services

- Synergy: use of power transmission lines for fiber optic cables

Portfolio strategy



- ✓ Solid base of assets, and diversification of businesses, sustain robust results even in adverse economic scenarios.
- ✓ Operates in segments with predictable cash flow
 - Balance between GT and D dilutes risks
 - Contracts adjusted for inflation
 - Major part of revenue does not depend on conditions of demand
- ✓ Organic growth and growth through acquisitions diminishes risk, increases returns
 - Increasing exposure to regions with economic drivers different from those of Minas Gerais
 - Leadership in Free Market enables Cemig to take opportunities Brazil-wide
 - Partnerships with other companies open new market frontiers

Diversity of businesses creates value, reduces risk



✓ Principal businesses:

➤ Generation:

- Most contracts signed for 5–10 years, with only 5% flexibility
- Almost all these contracts are adjusted for inflation
- Cemig has almost of its output sold until 2014 – reducing exposure to possible downward pressure on electricity prices in 2013–14

➤ Transmission:

- Revenue is fixed, and not sensitive to variations in quantity demanded
- 100% of contracts are adjusted for inflation
- Provides almost 20% of consolidated Ebitda (2Q 2011)

➤ Distribution:

- Concession area is growing faster than GDP
- Regulated market guarantees price stability
- Demand for electricity is not very sensitive to short-term fluctuations in the economy
- Infrastructure projects in the concession area boost structural demand for electricity

Cemig's financial solidity makes it a safe haven



✓ Leverage indicators put Cemig in a privileged position in a scenario of stress in the 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 are at comfortable levels

- Net debt / Ebitda: 2.0 times

➤ Strong cash position

- R\$ 3.9 billion in cash at the end of 3Q11

✓ 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."*

Brazilian GDP growth is driven by domestic market



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



Economics – Brazil

- ✓ Largest Latin American economy
- ✓ World's 6th largest economy
- ✓ GDP (until Sep, 2011): US\$ 1.6 trillion (+ 3.2% from the same period of 2010)
- ✓ Inhabitants: 191 million
- ✓ Area: 8.5 million km²
- ✓ Currency ⁽¹⁾: Reais (BRL): US\$1 = R\$ 1.72
- ✓ Reserves ⁽²⁾: US\$ 352 billion
- ✓ Primary surplus in 2011: US\$75 billion (+ 6.1% from 2010)
 - Primary surplus target in 2011: US\$74 billion (3.1% of GDP)

Accelerated Development Plan – Phase 2 (“PAC 2”)

- ✓ Federal plan to invest US\$ 598 billion in 2011–2014
- ✓ Electricity Generation: US\$ 71 billion
- ✓ Electricity Transmission: US\$ 17 billion
- ✓ Renewable fuel projects*: US\$ 626 million
- ✓ Energy Efficiency: R\$ 689 million

*Ethanol, Biodiesel and Alcohol pipeline.

Economics – Minas Gerais State

- ✓ 3rd Largest Brazilian economy
- ✓ GDP (%): 3.6% - in the last 12 months
- ✓ Inhabitants: 20 million

Sources: Brazilian Institute for Geography and Statistics (IBGE), Federal Government.

(1) As of Feb. 06, 2012

(2) As of Dec 2011

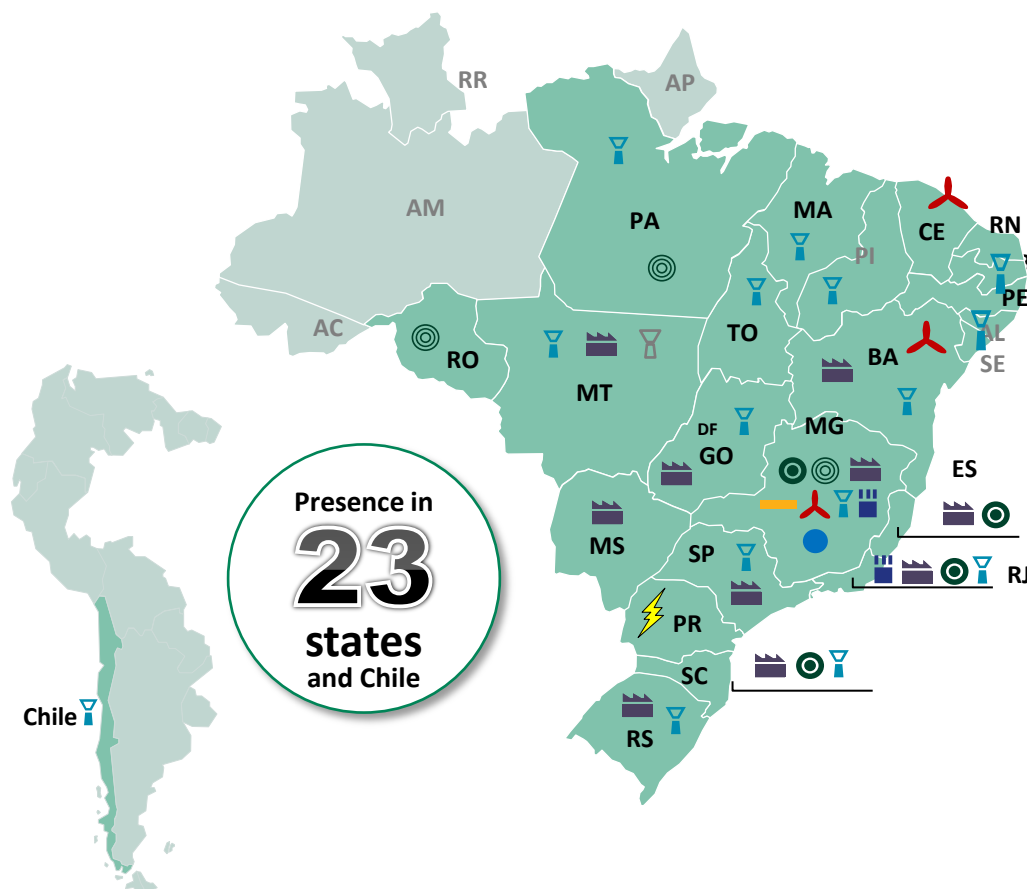
Leadership in sustainability, a core value at Cemig



- ✓ 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 **twelfth** 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 **seventh** year in a row.



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

#1

Electricity distributor*

#3

Power transmission group

#3

Power generation group

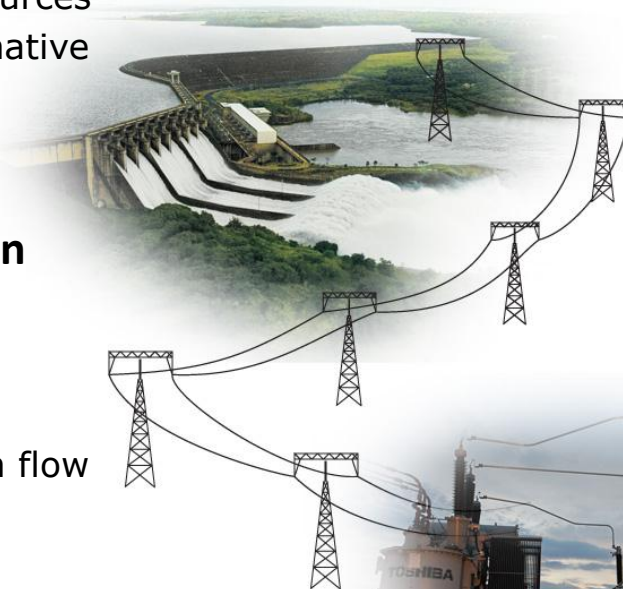
Cemig: Largest Integrated Utility in Brazil



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

9.871 Km

- ✓ 10% market share
- ✓ Highest Ebitda margins
- ✓ Stable returns and cash flow



Electricity Distribution

485.046 Km

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


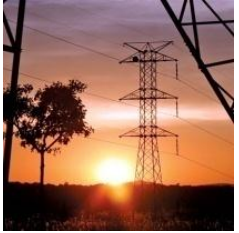

Retail

Largest distribution company



Well-Diversified Portfolio, still Evolving



	3Q2011 (% of EBITDA)		Long-Term Goal (% of EBITDA)
 Generation	46%	→	40%
 Transmission	20%	→	20%
 Distribution & Others	34%	→	40%

Note: 1. Including Natural Gas Distribution, Electricity Distribution, Telecom, Services

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 strategy 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**

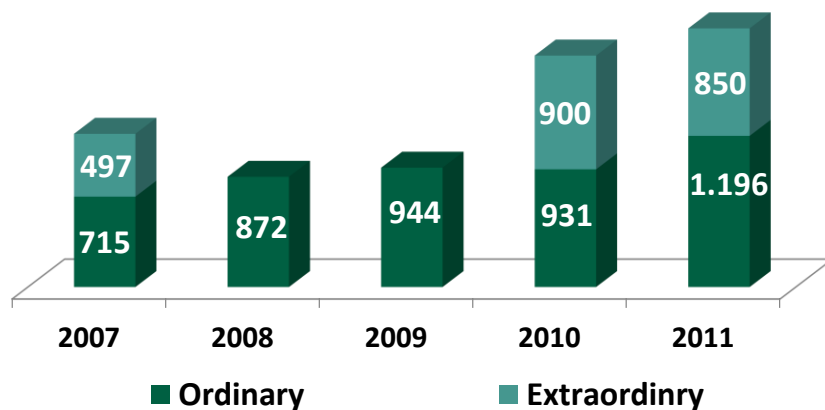
- More efficient projects based on the accumulated expertise in operating electricity facilities
- Acquisition of assets to increase the synergy with and between existing assets
- Experienced project developer

Strategic Plan Results: Dividends

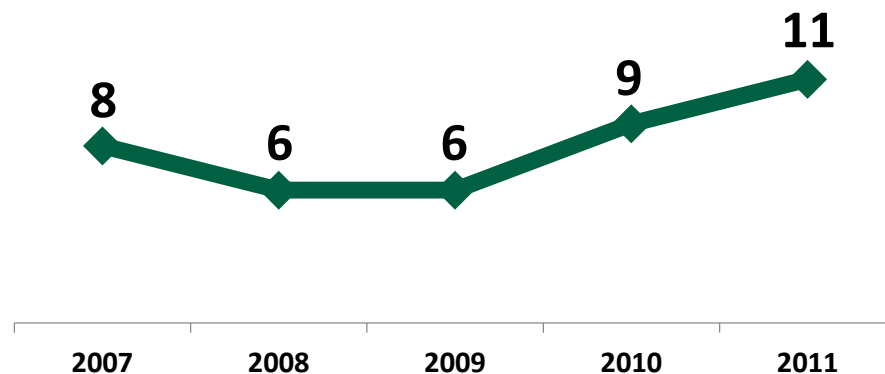


- ✓ Dividends paid in 2010 reached R\$ 1.8 billion
 - Ordinary dividends of R\$ 931mn; paid in equal parts in June and December 2010
 - Extraordinary dividends of R\$ 900 million; paid in December 2010
- ✓ Approved Net Income distribution for 2010:
 - 52.97% of the net profit - R\$ 1.196 billion to payment of dividends - R\$1.75/share
 - Extraordinary dividends: R\$ 850 million, paid in December 2011 - R\$1.24/share

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

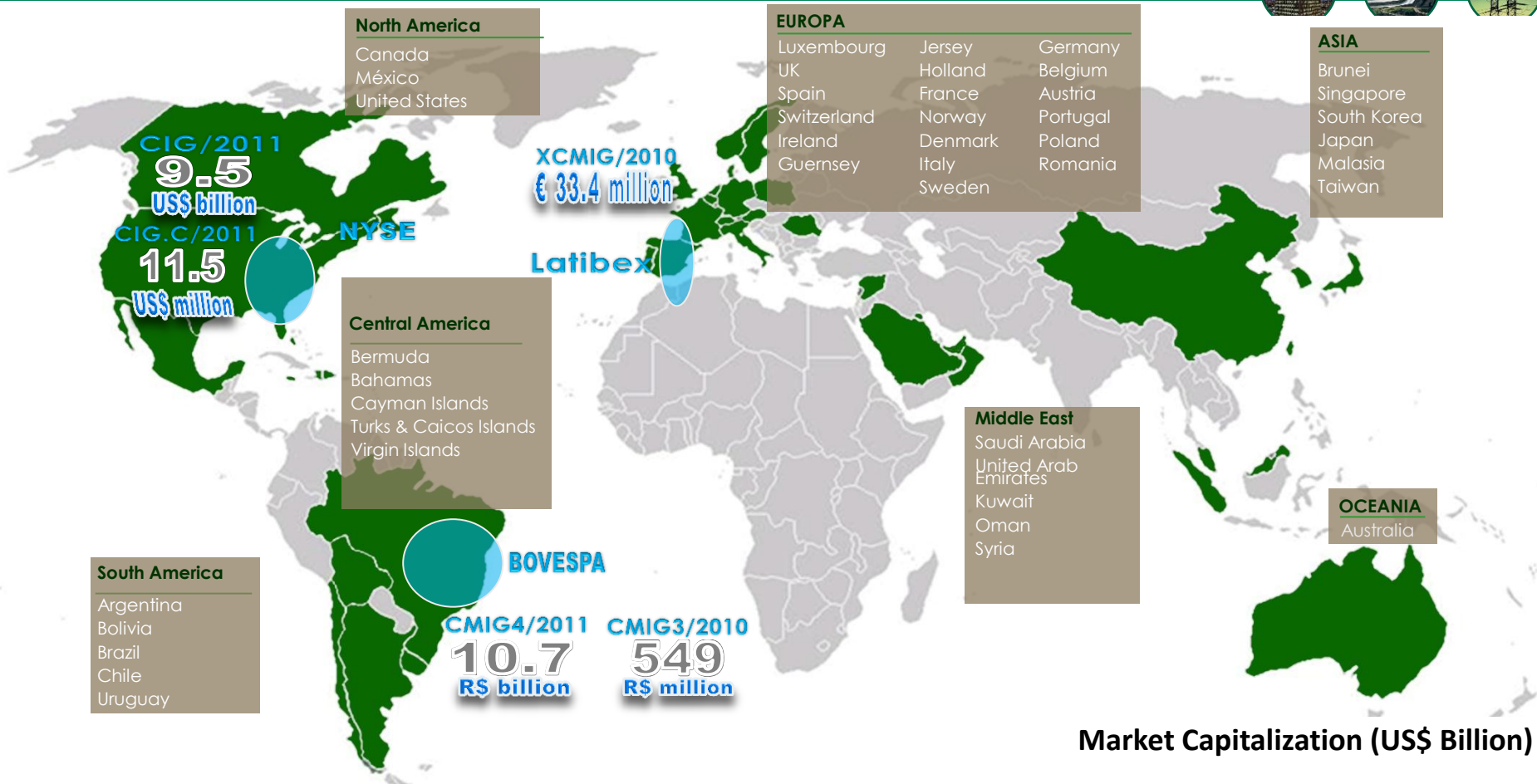


Dividend yield (%)

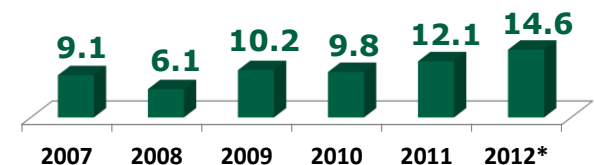


* Dividends approved for the year's net income, paid in the coming year in semi-annual basis

Strong shareholder base assures liquidity



Market Capitalization (US\$ Billion)



* At February 10th, 2012

Average Daily Trading Volume – 2011

Bovespa: R\$ 43 million

NYSE: US\$ 38 million

➤ Our Shares are traded in 3 Stock Exchanges

➤ More than 115,000 shareholders in 44 countries

Priorities reflect long-term commitment



- ✓ Company's business structure oriented toward electricity sector consolidation
 - Operational excellence aligned with costs reduction
 - Scale as a mean to capture synergies
 - Risk management ensures reliable processes
- ✓ Investment criteria defined by Strategic Plan to add value
- ✓ Corporate governance as a corporate value constantly evolving
- ✓ Financial management to improve credit quality and cost reduction
- ✓ Provide return to the investors' investment

An outlook of opportunities



• At short term

- ✓ Update the long term strategic plan to review shareholders' alignment.
- ✓ Improve operating performance to capture gains and synergies in all businesses:
 - Reduce energy loss in Rio de Janeiro
 - Refurbishment of the 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
- ✓ Keep big eyes on the regulatory front:
 - 3rd. Rate review cycle
 - Renewals of the concession contracts to expire in 2015

• At long term

- ✓ Keep on consolidating power industry assets to gain scale
- ✓ Develop skills to compete in the concession contract auctions
- ✓ Develop the natural gas business:
 - Carry on 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
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