



A Melhor Energia do Brasil.

# Successful Strategy

Performance reflects balanced portfolio structure

January, 2013



**CIG**  
LISTED  
NYSE

**CIG.C**  
LISTED  
NYSE



# Disclaimer



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

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

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

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

All figures are in BR GAAP.



# Brazil's Leading Power Utility



Integrated  
Power  
Utility in  
Brazil

**#1**

Growth in  
EBITDA  
2006-11

**+79%**

Market cap  
of US\$  
10,9<sup>(1)</sup> B.

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

Role in  
industry

**Leading  
consolidator**

In the Power Industry since 1952

(1) As of December 21<sup>th</sup>, 2012

(2) In the Brazilian Power Industry

# Cemig: Strength in Numbers



Number of power plants

70

Total installed capacity

7,038 MW

Locations in Minas Gerais State

5,415

Size of concession area vs. France

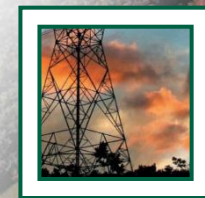
Larger

Electricity Distribution lines

510,744 km

Power Transmission lines

10,060 km

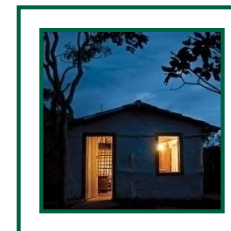
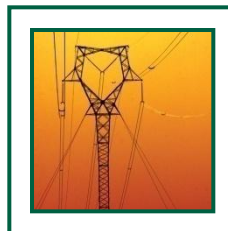




# Cemig at a Glance



- Based in State of Minas Gerais, controlling shareholder
  - growing throughout Brazil and Chile
- Strong financial profile:
  - 3Q11 - Net revenues: R\$ 4,0B EBITDA: R\$ 1.5B
  - 3Q12 - Net revenues: R\$ 4.8B EBITDA: R\$ 1.8B
- Highest liquidity in the sector
  - listed on 3 stock exchanges New York, São Paulo, Madrid
  - More than 119,000 shareholders in 44 countries
  - Average Daily Trading Volume in 2011:
    - R\$59M in Bovespa
    - US\$53M 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



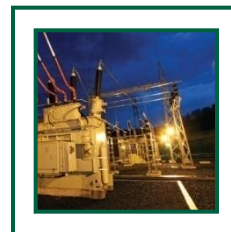
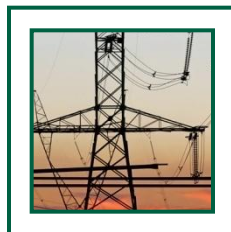
# The Cemig Story – Agenda



The positioning

The performance

The growth



# Cemig is Uniquely Positioned

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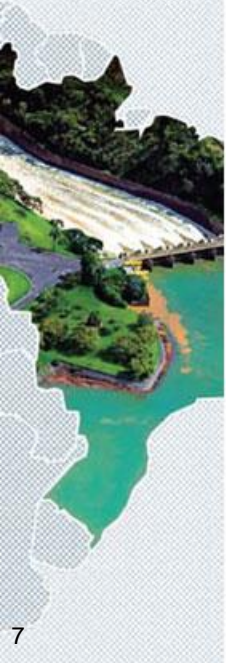
1 The Brazil advantage

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

#6

GDP 2011

US\$2.5 Trillion

GDP growth 2011

2.7%

Population

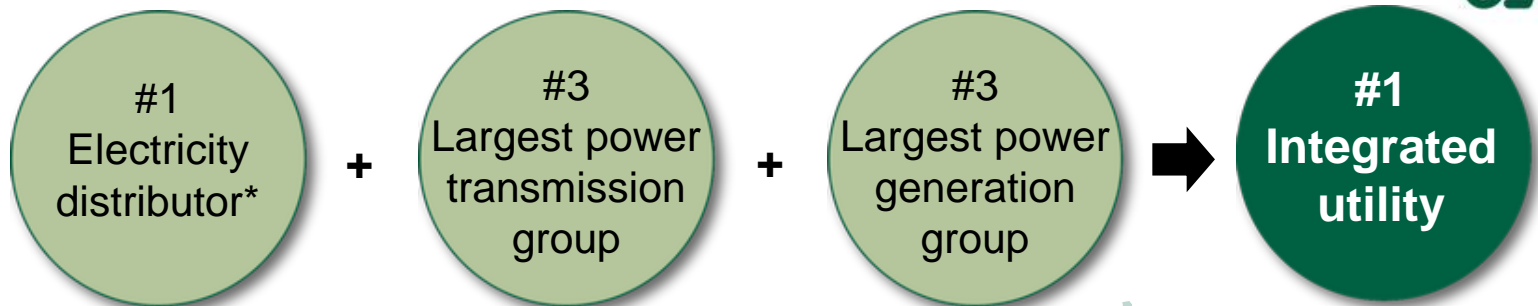
191M











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

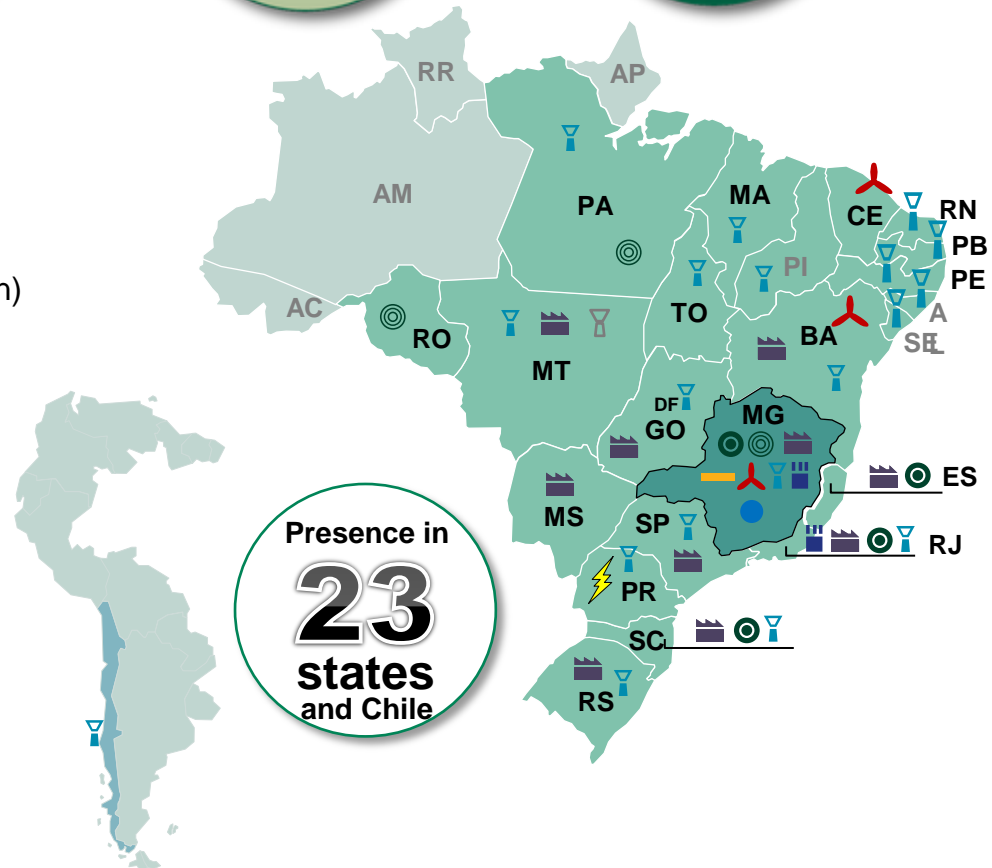




# Largest Integrated Utility in Brazil



-  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

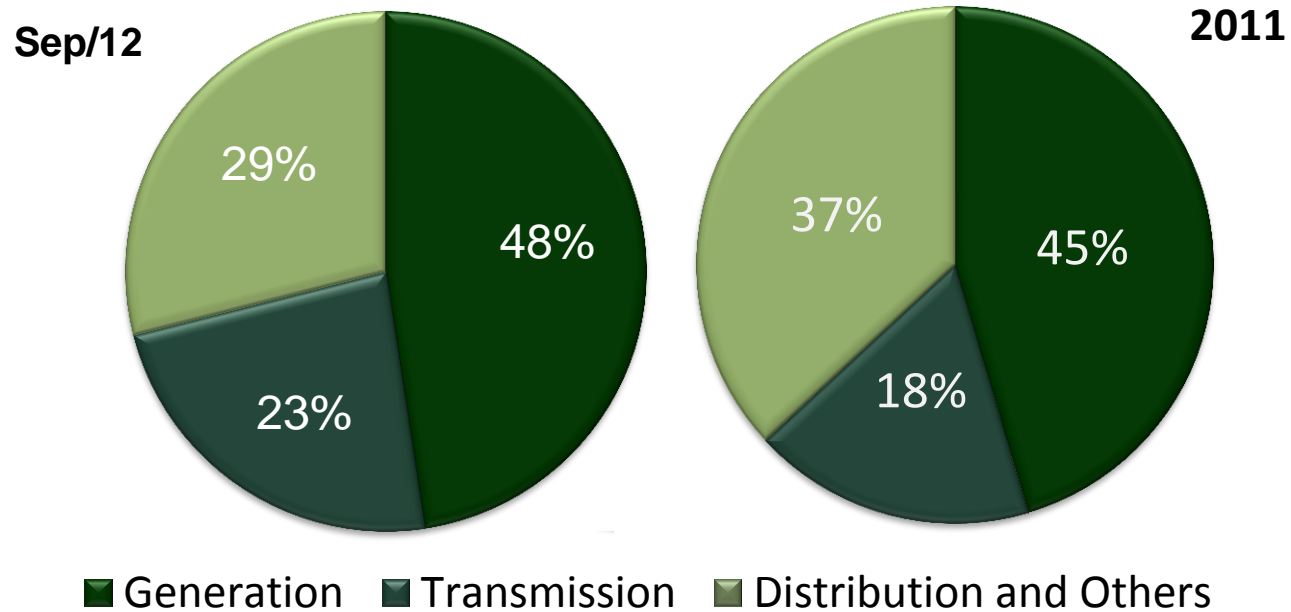


\* in terms of length of electricity distribution lines

# Diversified, Low Risk Business Portfolio



## Breakdown of EBITDA



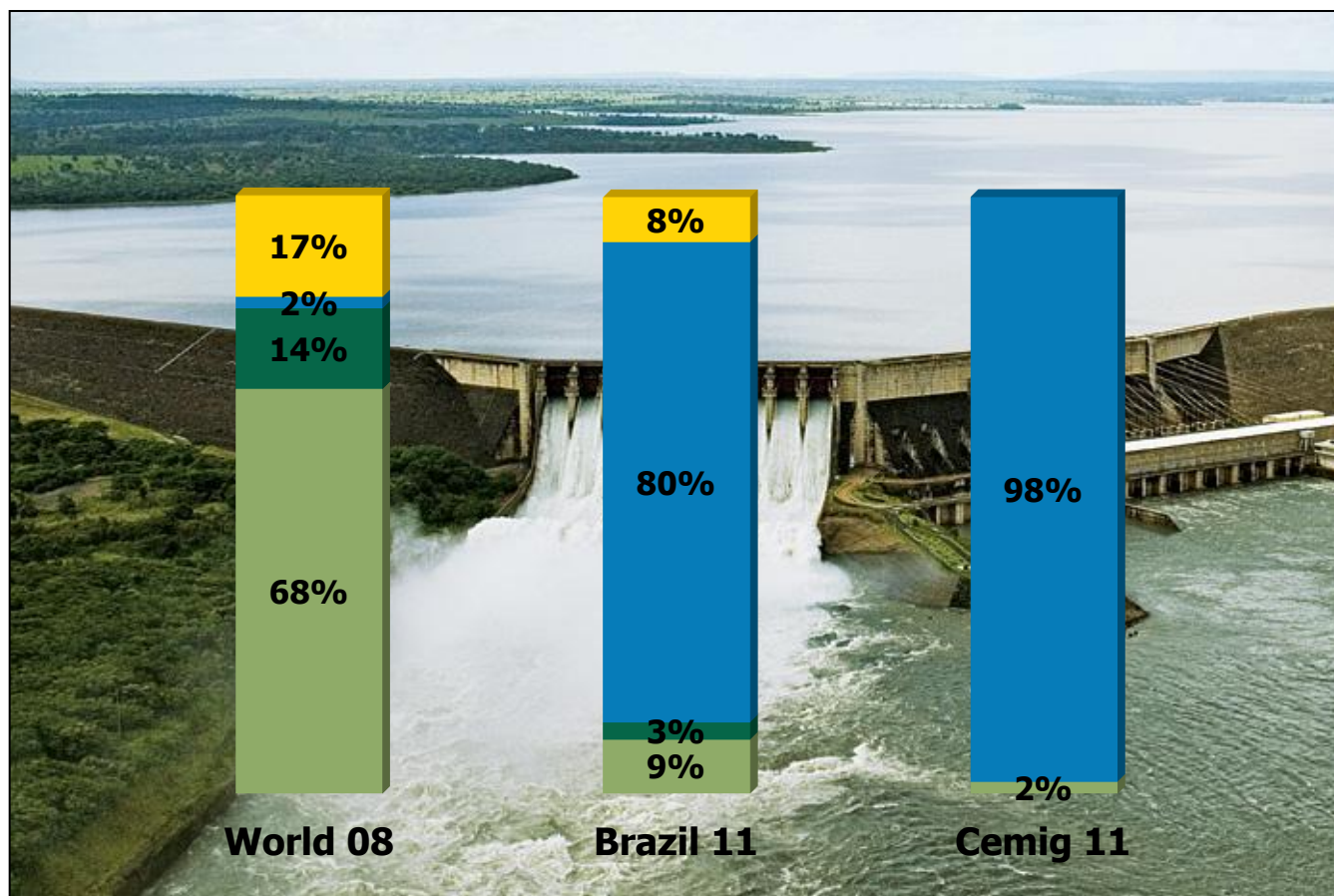
Most of revenues are inflation protected

Sep/12 - Transmission business affected for Gain on issuance of shares

# Leader in Renewable Hydro Power Energy



## Power Generation by Source



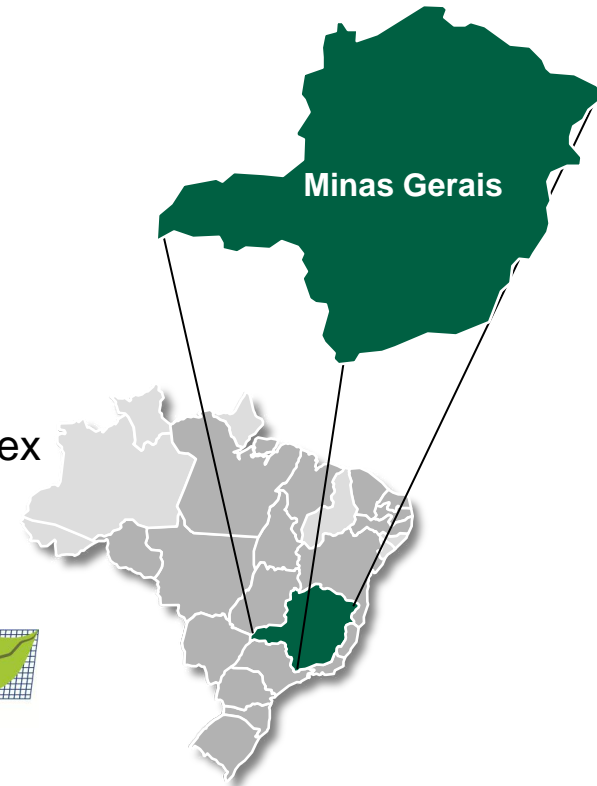
■ Fossil Source Fuels   
 ■ Nuclear   
 ■ Hydro   
 ■ Others



# Best-in-Class Corporate Governance



- ✓ Minas Gerais, controlling shareholder – a positive influence
  - one of fastest growing, investor-friendly states in Brazil
  - growth and profitability interest aligned with minority shareholders
  - 6 from a total of 14 members are appointed by minority shareholders
  
- ✓ Pro-market corporate bylaws include
  - Minimum 50% dividend payout
  - Capex limited to 40% of EBITDA
  - Net debt limited to 2.5x EBITDA
  - Net debt limited to 50% of total cap.
  
- ✓ Leader in sustainability
  - only Latin American utility in DJSI since 1999
  - Included in the ISE – Bovespa sustainability index since 2005
  
- ✓ Present in the Global Dow Index



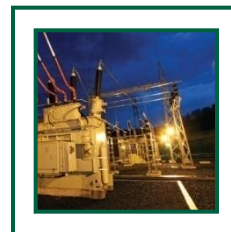
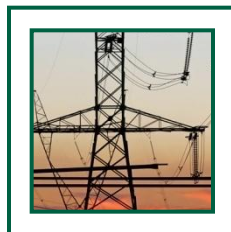
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The positioning

The performance

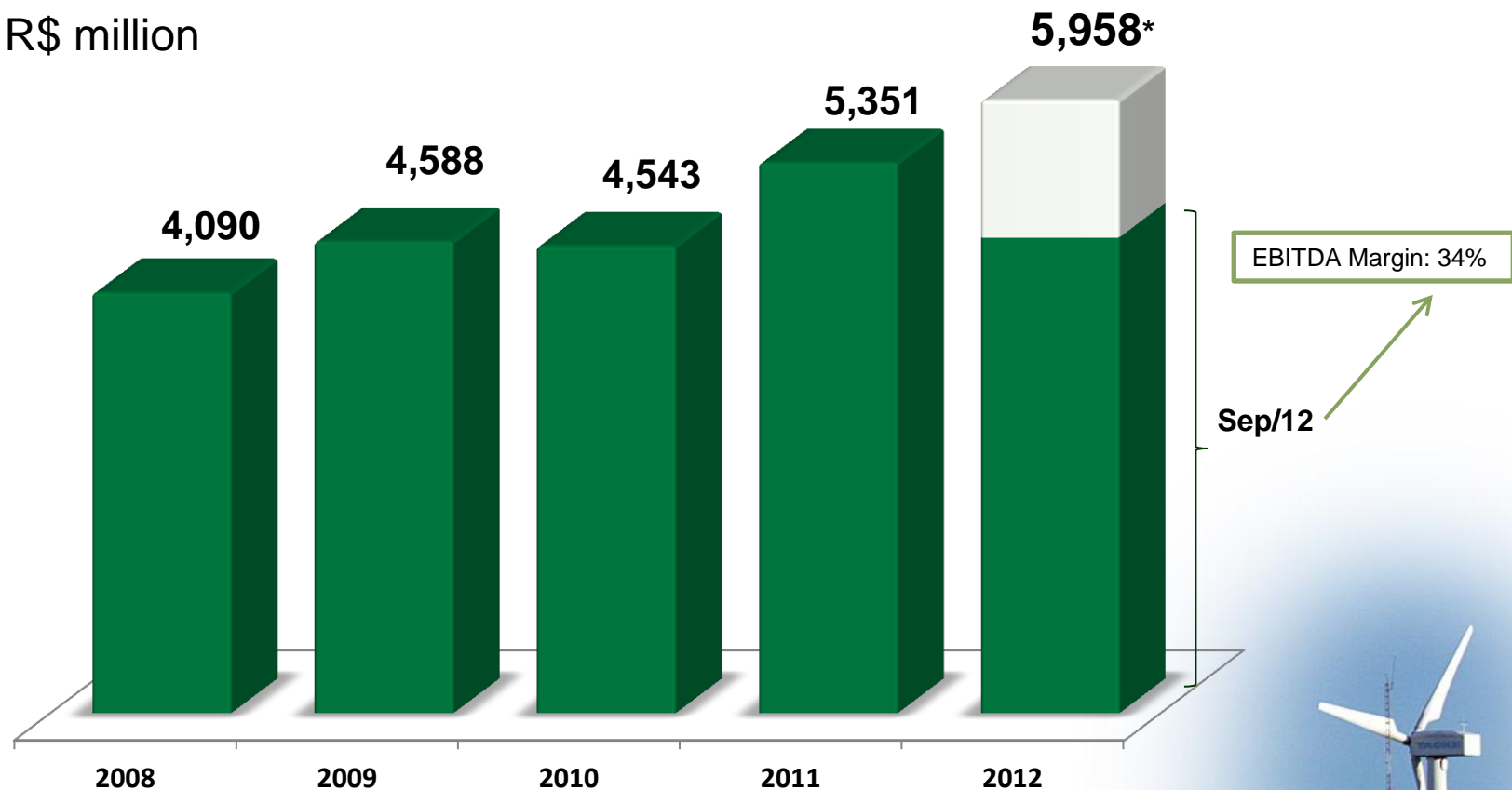
The growth



# Growth in EBITDA



R\$ million



(\* Last 12 months' Ebitda)

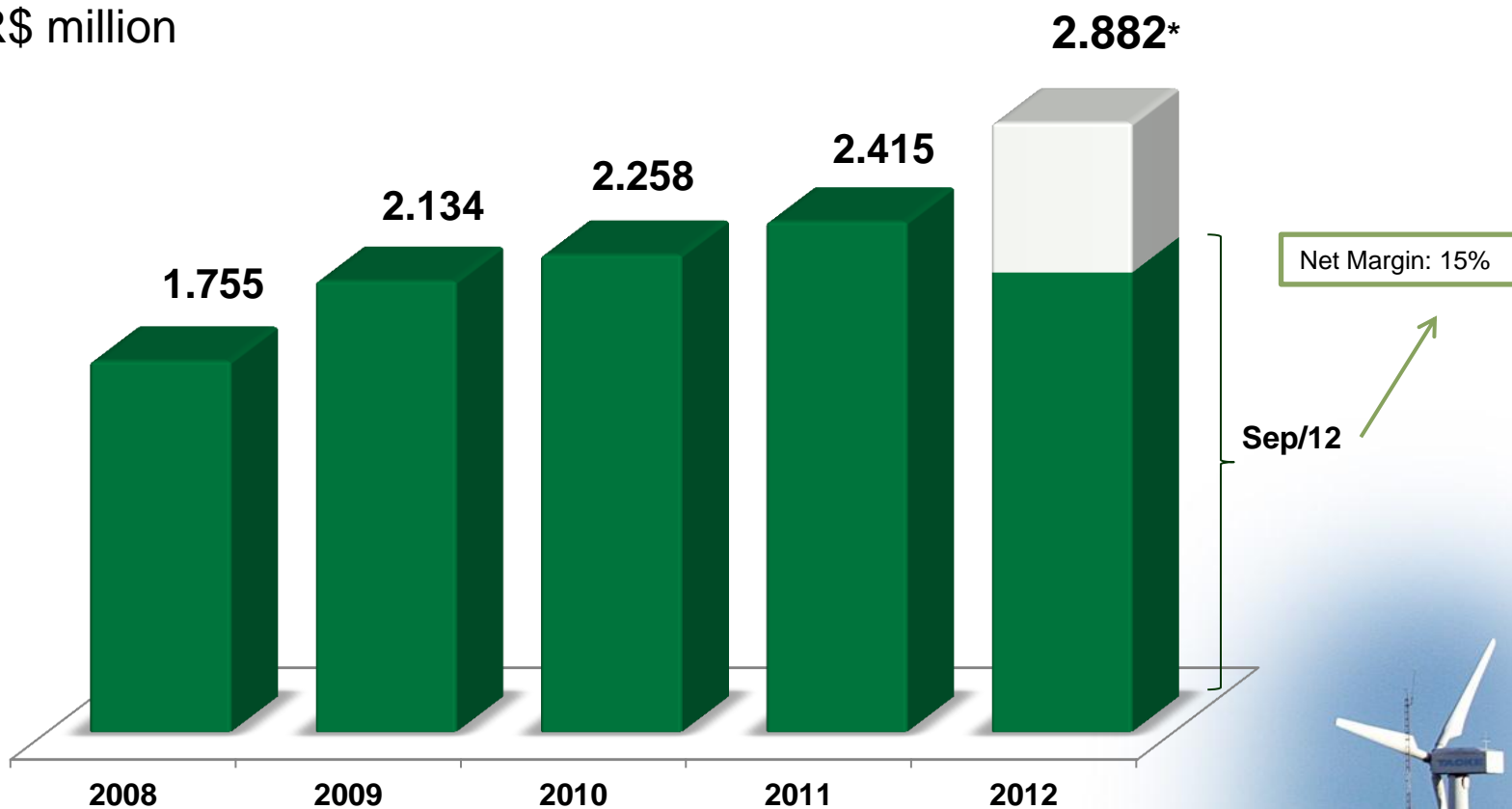




# Net Income Continues to Expand



R\$ million



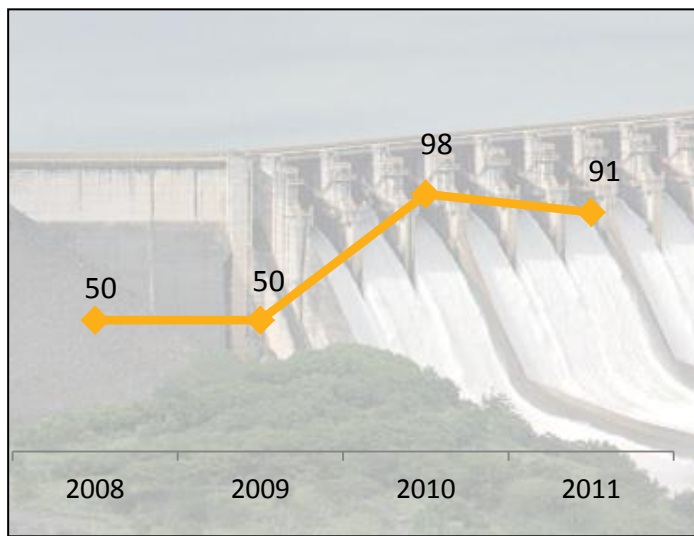
(\*) Last 12 months' Net Income



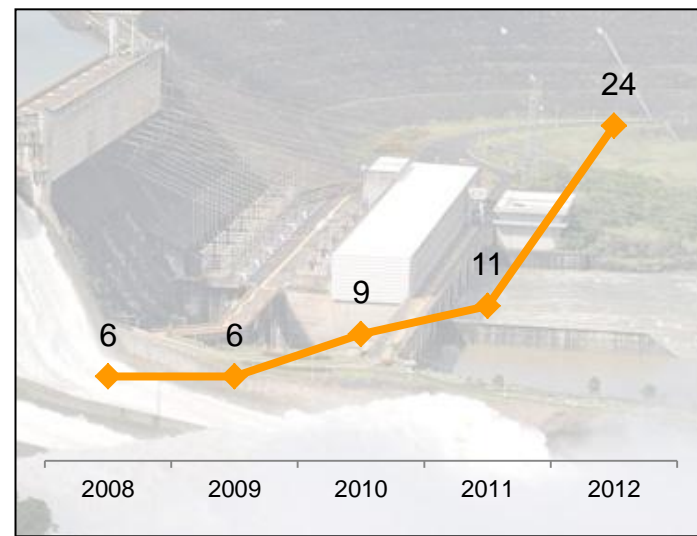
# Attractive and Secure Dividend Payout <sup>(1)</sup>



Dividend Payout  
(% of Net Income)



Dividend Yield (%)  
Preferred shares



➤ Dividends paid in 2012 reach R\$ 4.594 billion

- Ordinary dividends *R\$ 1.294 billion*
- Extraordinary dividends of R\$ 1.600 billion, corresponding to R\$ 1.87 per share
- Interest on Equity for the 2012 business year, to be considered as offset in the calculation of the obligatory dividend, under Paragraph 3 of Article 29 of the by-laws, in the amount of R\$ 1.700 billion, corresponding to R\$ 1.99 per share

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

# Strong Balance Sheet to Support Growth



Net debt to EBITDA

**2.0X**

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

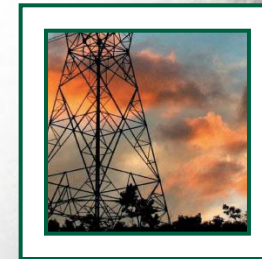
**3%**

Cash on hand

**R\$4,7B**

Net Revenue 3Q12

**R\$ 4.8B**



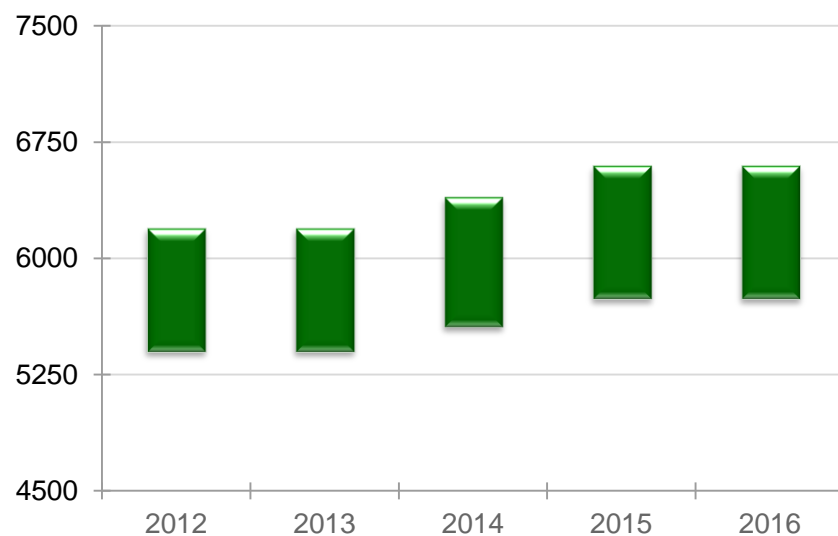
\*Net of financial hedging



# EBITDA guidance



## EBITDA guidance<sup>(1)</sup> 2012-2016 R\$ million



Year	Lower limit	Upper limit
2012	5,400	6,200
2013	5,400	6,200
2014	5,560	6,400
2015	5,740	6,600
2016	5,740	6,600

Consolidated includes the amounts of the holding company and affiliated companies

(1) Constant currency as of June 2012.

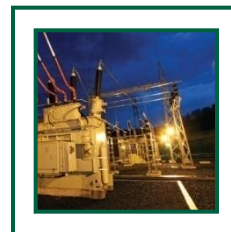
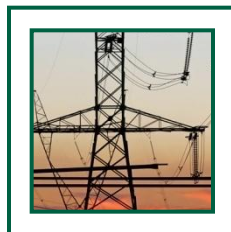
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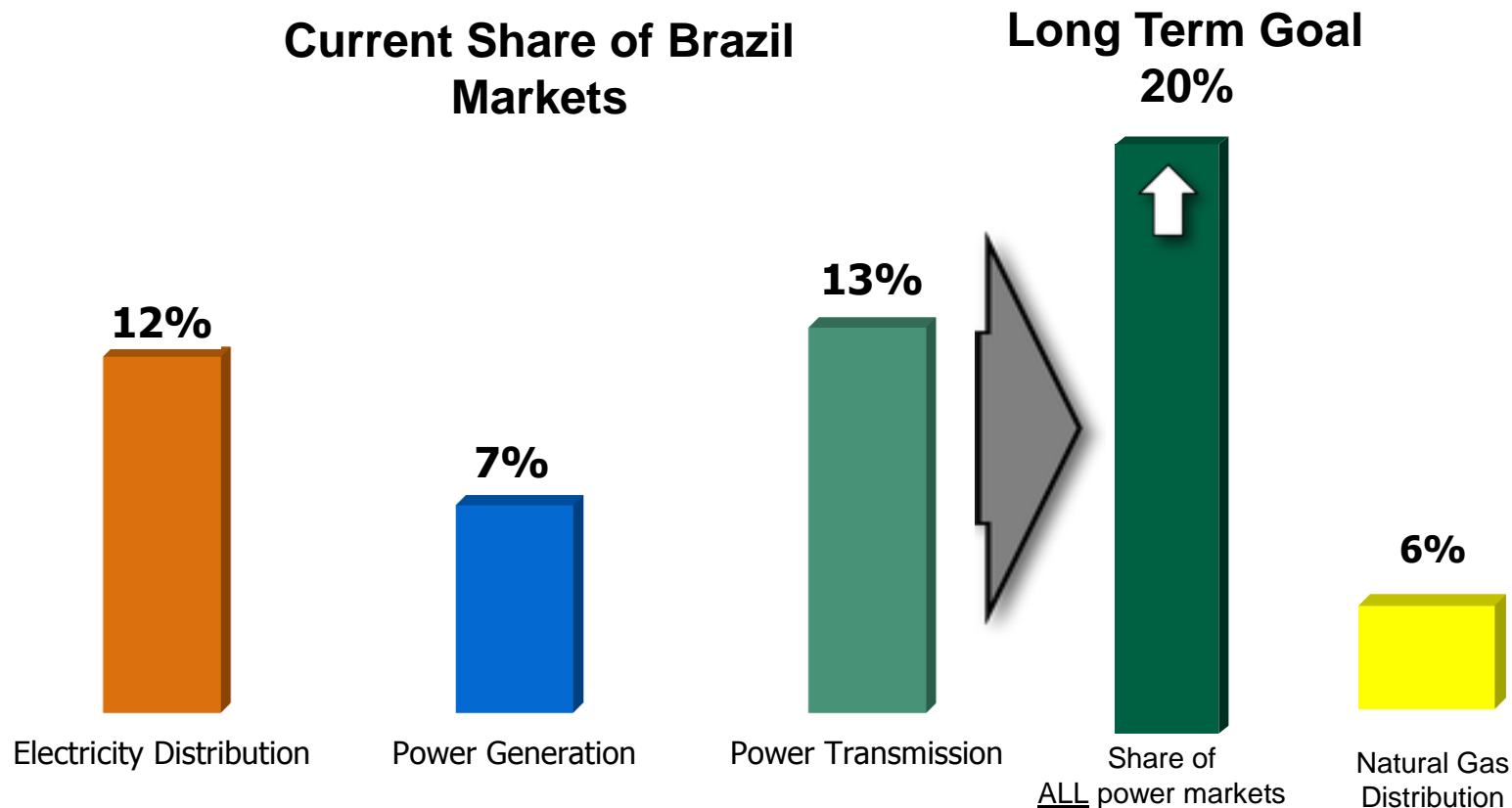
The positioning

The performance

The growth



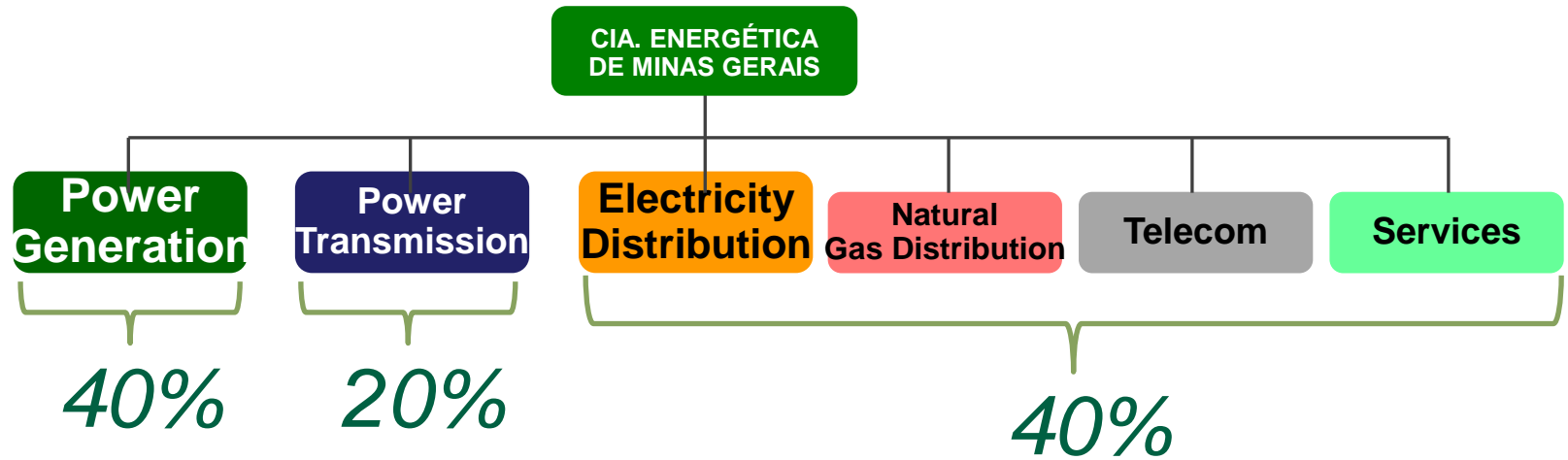
# Clear Long Term Goals



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



# Target Ebitda contribution by business in the long run



# Growth Drivers

1

Leverage price increases



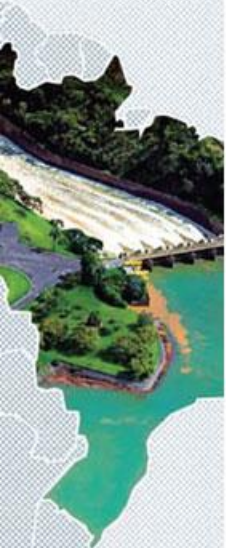
2

Improve operating efficiency



3

Geographic expansion



# Record of Successful Acquisitions

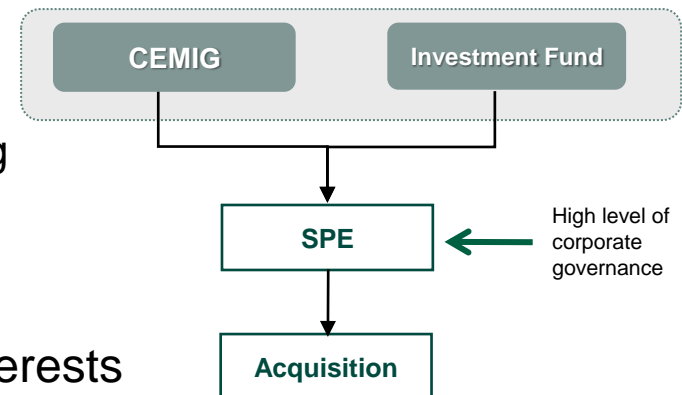
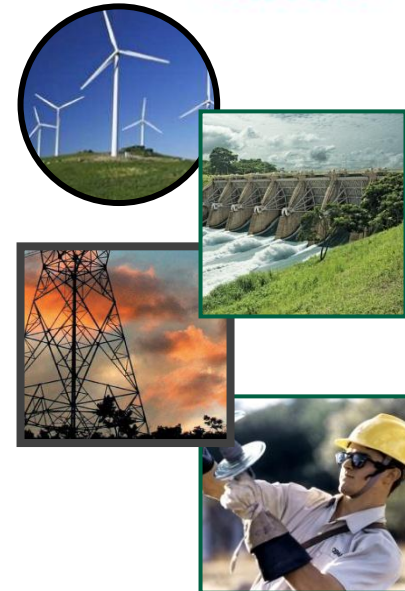
## Business Model for Growth



- 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
- Innovative acquisition structure enables Cemig to use it in other expansion opportunities, aligned with its Long-Term Strategic Plan.
- 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





# Clear Priorities for 2012



## Priorities

1

Execute cost reductions

2

Integrate Taesa and Light acquisitions

3

Participate in green fields

4

Select new acquisitions



# Why Invest in Cemig

Leading power utility in Brazil

Powerful drivers fueling growth

Sound Balance Sheet

Consistent profitable track record

Strong Dividend Policy

World Leader in Sustainability



# Appendix





# Agenda

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

# Brazilian GDP growth is driven by domestic market

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

## Economics

- Largest Latin America economy
- 6th largest world economy
- GDP (2011): US\$ 2.5 trillion (+2.7%)
- Inhabitants: 191 million
- Area: 8.5 million km<sup>2</sup>
- Currency<sup>(1)</sup>: Reais (BRL) – US\$1 = R\$ 1.83
- Reserves<sup>(1)</sup>: US\$ 355 billion

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

- Federal plan to invest US\$ 598 billion in the period of 2011-2014
- Electric Power Generation: US\$ 71 billion
- Electric Power Transmission: US\$ 17 billion
- Renewable Fuel projects\*: US\$ 626 million
- Energy Efficiency: R\$ 689 million

\*Ethanol, Biodiesel and Alcohol pipeline

## Electric Power Industry

- Power Generation
  - ✓ Installed Capacity<sup>(2)</sup>: 107 GW
  - 65.9% Hydro; 10.8% Natural Gas; 5.6% Oil; 7.1% Biomass; 1.6% Nuclear; 1.6% Coal; 1.4% wind farm
- Power Transmission
  - ✓ National Network<sup>(3)</sup>: 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 March 21<sup>th</sup>, 2012

(2) As of January 06<sup>th</sup>, 2012

(3) As of June 30<sup>th</sup>, 2010

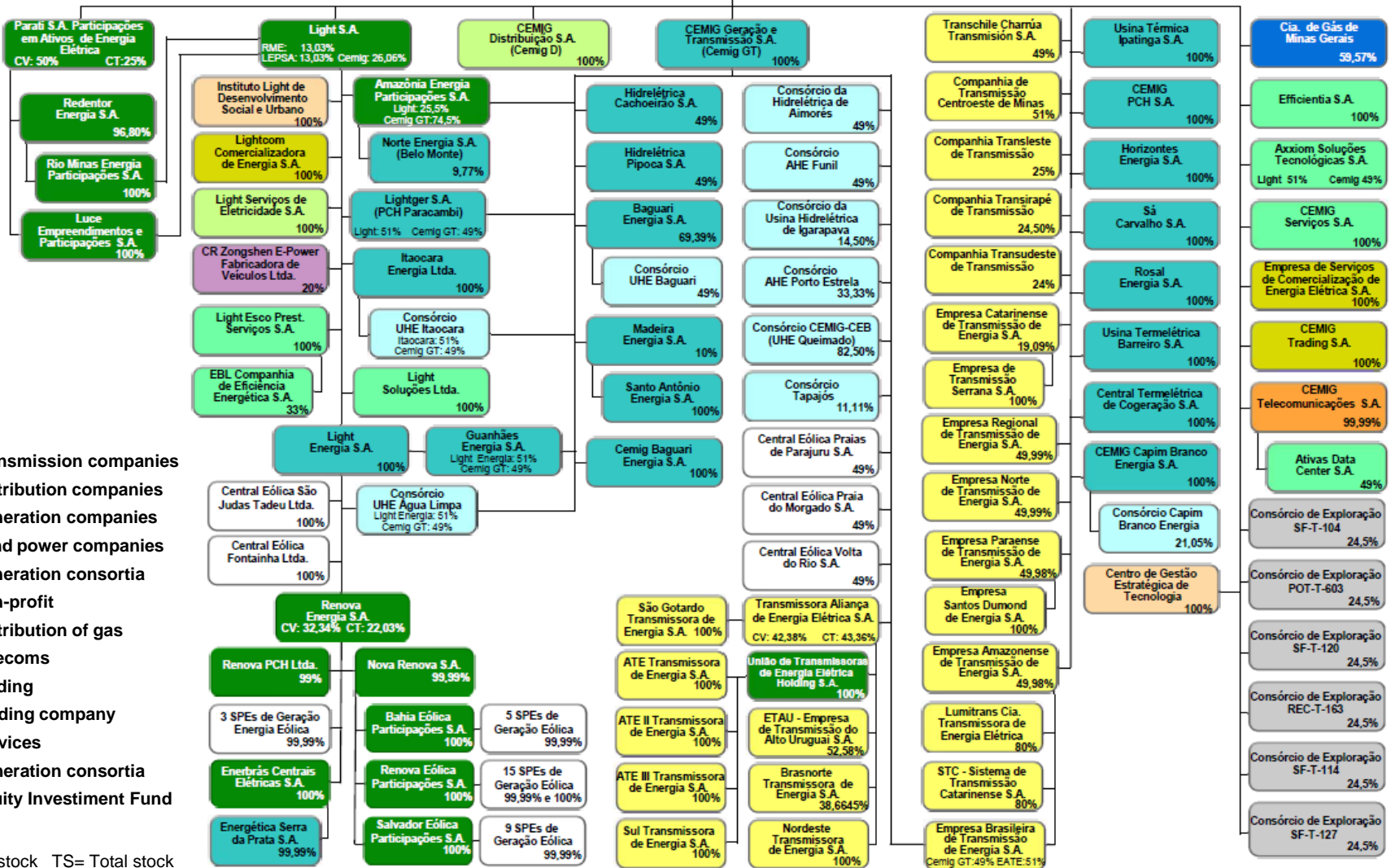
# Companies and Consortia of the Cemig Group

114 Companies - 16 Consortias

At October 31<sup>th</sup>, 2012



## COMPANHIA ENERGÉTICA DE MINAS GERAIS

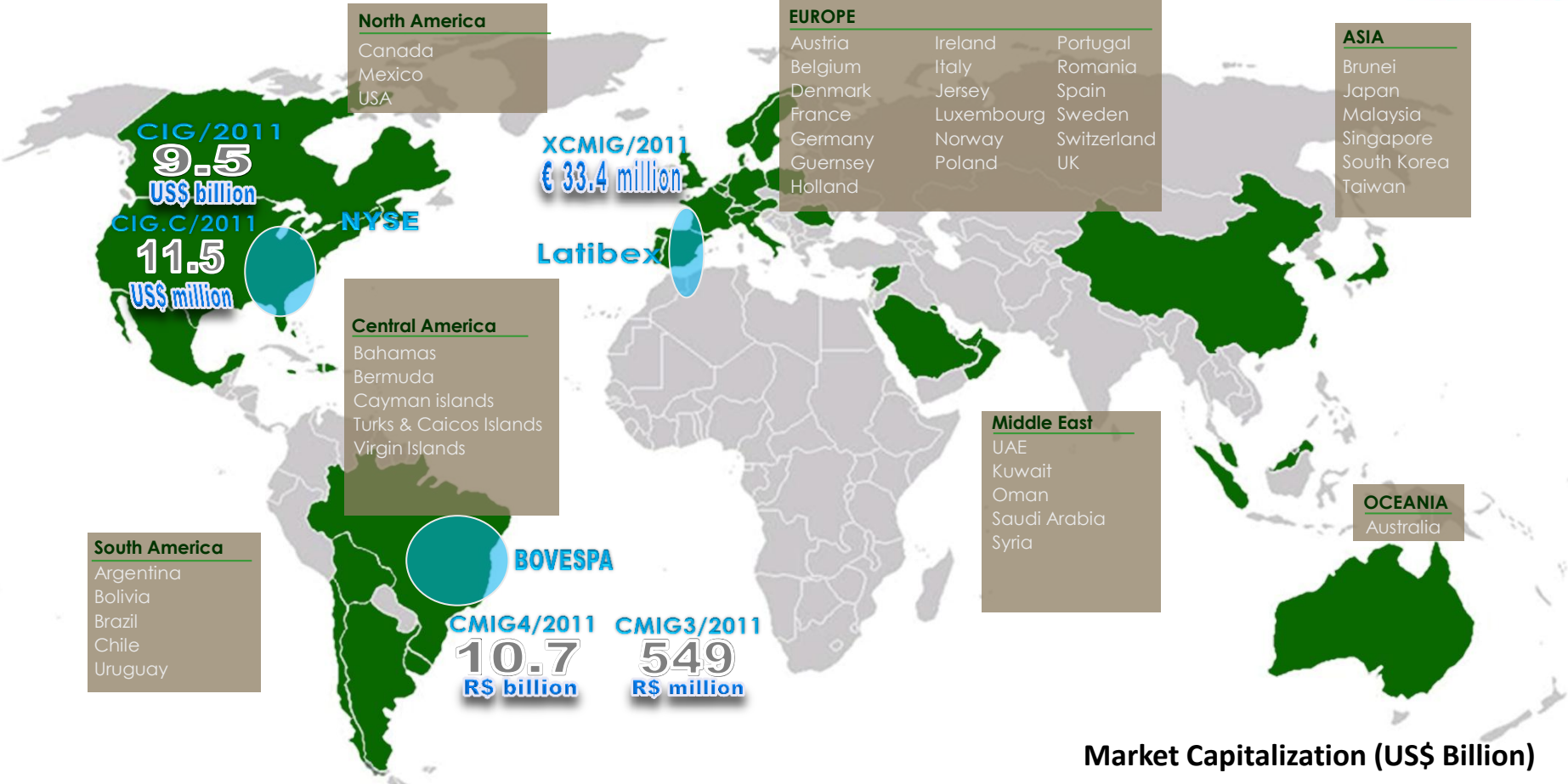


- Key**
- Transmission companies
  - Distribution companies
  - Generation companies
  - Wind power companies
  - Generation consortia
  - Non-profit
  - Distribution of gas
  - Telecoms
  - Trading
  - Holding company
  - Services
  - Generation consortia
  - Equity Investment Fund

VS = Voting stock TS= Total stock



# Strong shareholders base assures liquidity

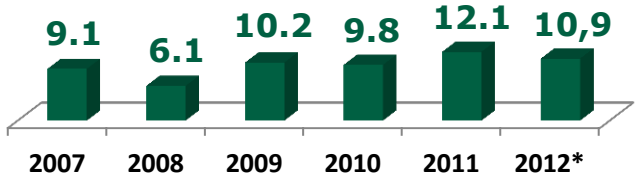


Average daily trading volume, 2011

**Bovespa:** R\$ 59 million  
**NYSE:** US\$ 53 million

- Shares traded on 3 stock exchanges
- Over 119,000 stockholders in 44 countries

Market Capitalization (US\$ Billion)

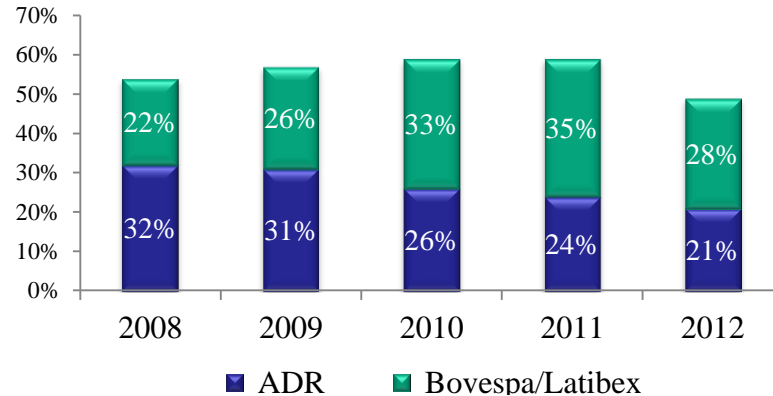


\* At December 21<sup>th</sup>, 2012

# Cemig: a global investment option



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



Preferred Share

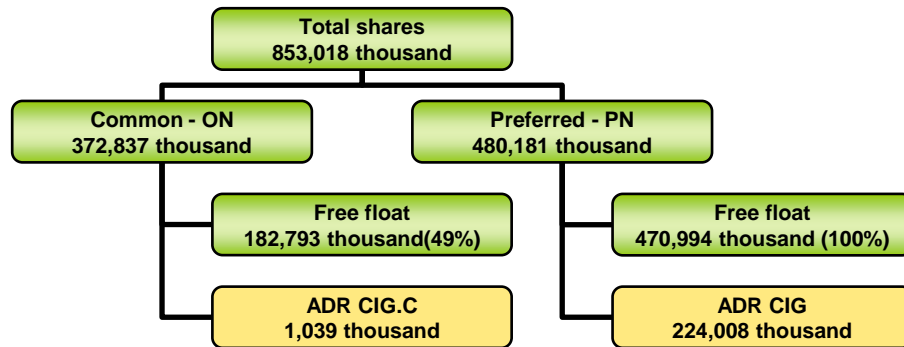
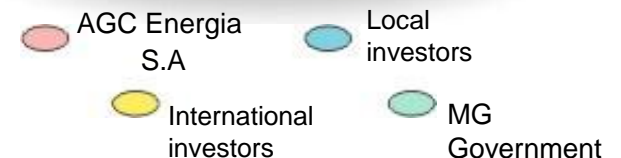
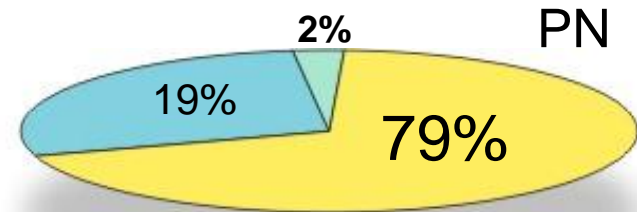
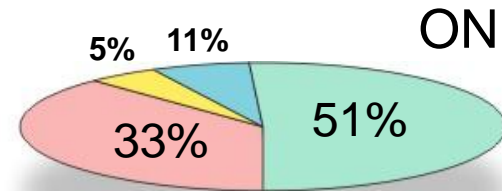
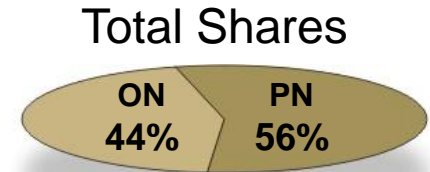
\* **Free float = all shares in circulation except those held by the State of Minas Gerais.**

- 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)**



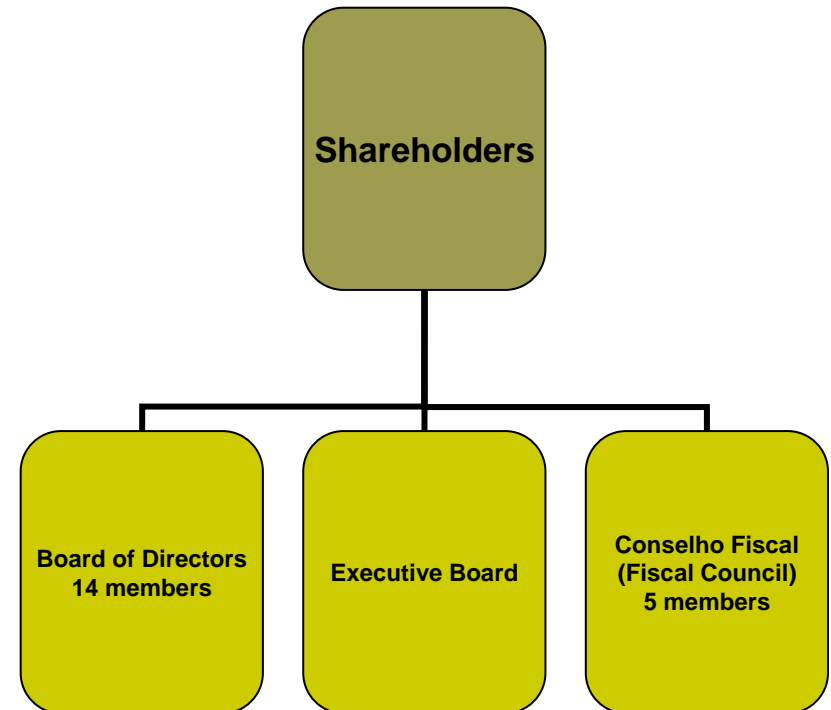
Share nominal value = R\$5.00

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





# Leadership in sustainability, a core value at Cemig

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



# 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

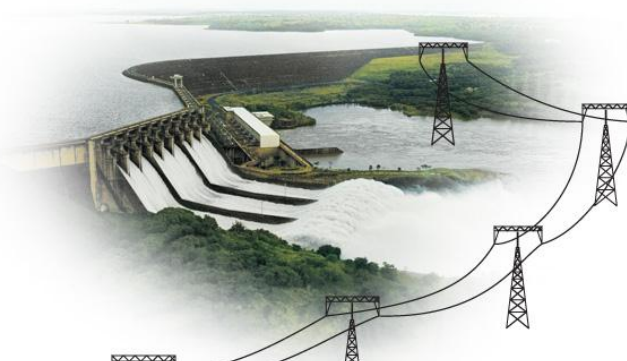
1. Businesses should support and respect the protection of internationally proclaimed human rights in their area of influence; and
2. make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective 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**  
7,038 MW of capacity

**Free Customers**  
25% share



**Power Transmission**  
10,060 Km



**Electricity Distribution**  
510,744 Km

**Retail**  
Largest distribution company

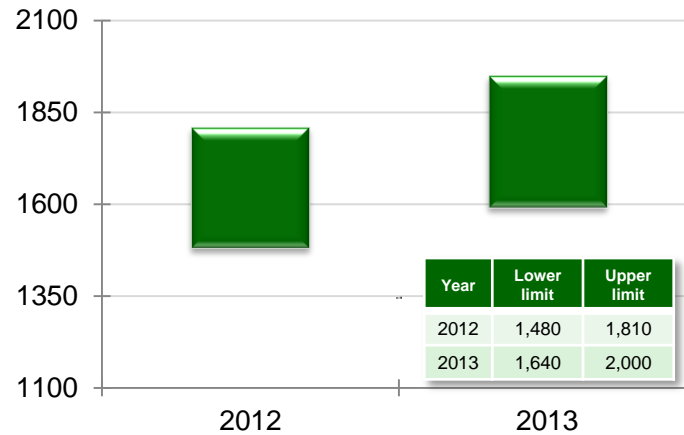




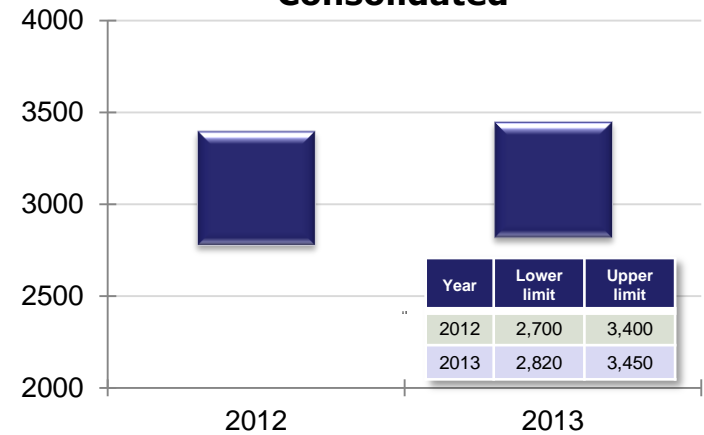
# EBITDA Guidance 2012-2013



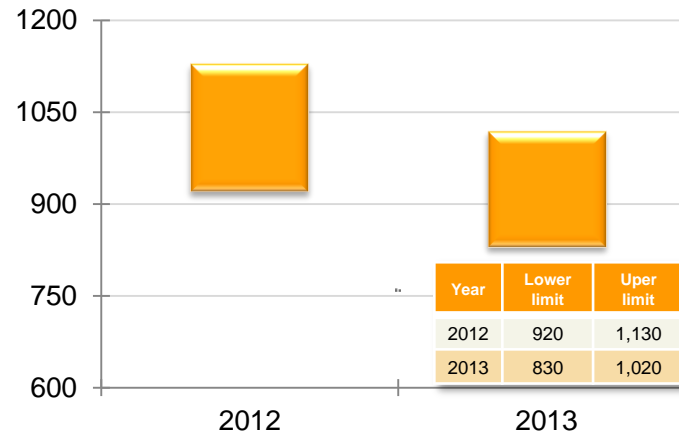
## Cemig D



## Cemig GT – Consolidated



## Holdings



R\$ Million in constant prices as of June 2012

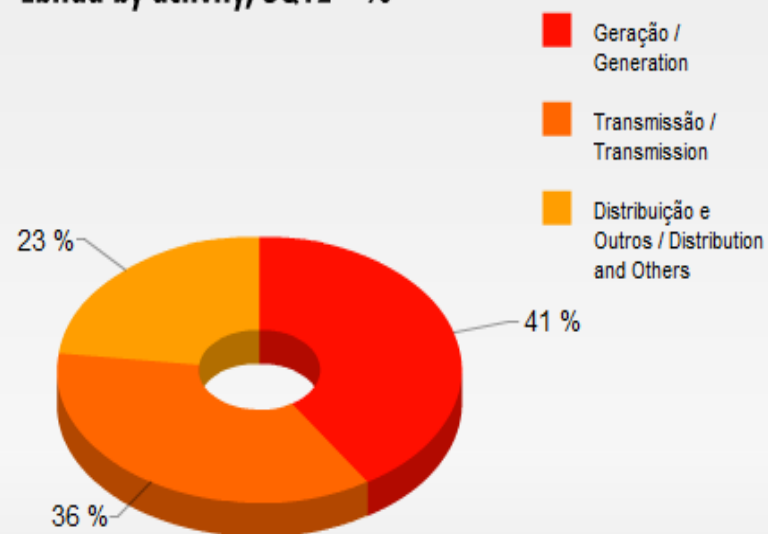
# Net Income and Ebitda per company (R\$ Million)

## Ebitda of principal companies

EBITDA	3Q12	%
CEMIG GT	714	40%
CEMIG D	351	20%
LIGHT	82	5%
GASMIG	20	1%
TBE	57	3%
TAESA	520	30%
OTHERS	8	1%
<b>CONSOLIDATED</b>	<b>1,752</b>	<b>100%</b>

R\$ million

## Ebitda by activity, 3Q12 - %



3Q12 - Transmission business affected for Gain on issuance of shares

# Financial Highlights



## Income Statement - Consolidated

R\$ million	3Q12	3Q11
Net Revenue	4,810	4,036
Ebitda	1,752	1,489
Ebitda margin %	36,4%	36,9%
Net Income	937	657
Net margin %	19,5%	16,3%

## Balance Sheet - Consolidated

R\$ million	Set/12	2011
Cash and Cash equivalent	4,680	2,862
Total Assets	39,223	37,358
Total Financial Debt	16,613	15,779
Shareholder's Equity	13,835	11,745
Net Debt (1)	11,933	12,917
Net Debt / (Shareholder's Equity + net debt)	46.3%	52.0%

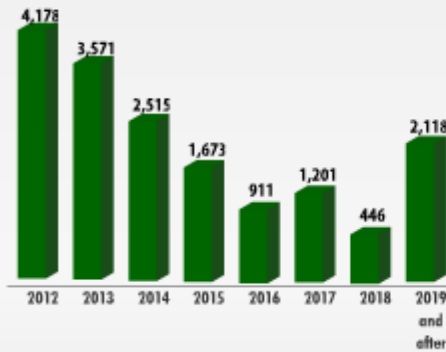
- ✓ Fundamentals remain solid
- ✓ Financial discipline
- ✓ Financial Management focused on long term

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

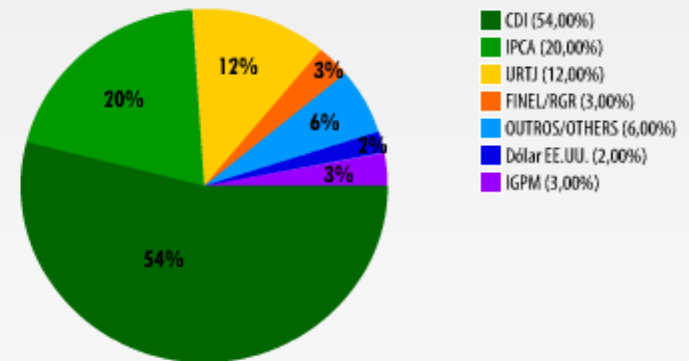
# Debt profile lengthened with reduction of costs

## Consolidated debt profile

Maturities profile:  
Average tenor 3.2 years



Main debt indexes



Average real cost of debt (%)



Financial multiples



\*At constant December 2010 prices; including investees.

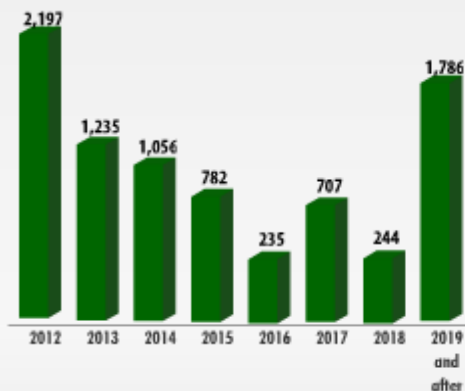


# Debt profile lengthened with reduction of costs – Cemig GT

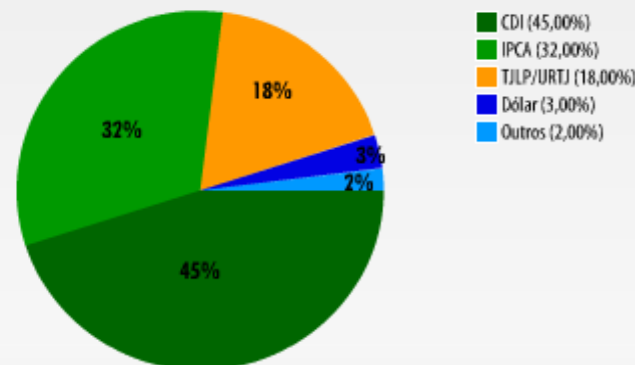


## Cemig GT: Debt profile

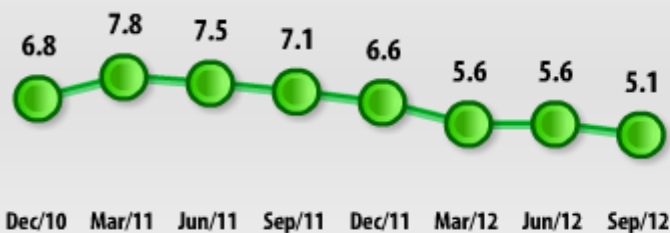
Maturities profile:  
Average tenor 4 years



Main debt indexes



Average real cost of debt (%)



Financial multiples

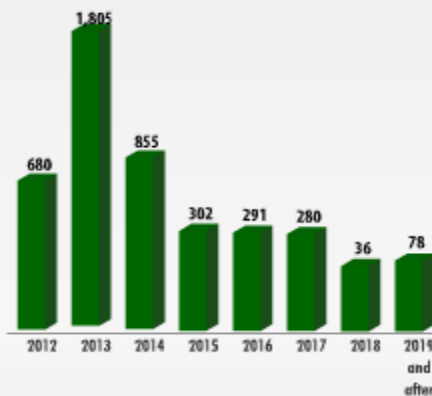


\* Constant Sep. 2012 currency; includes holdings.

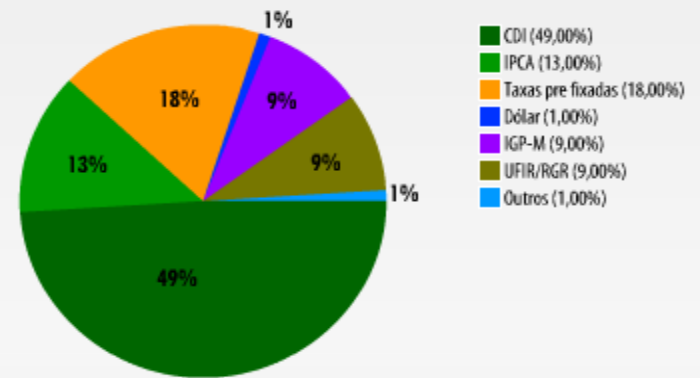
# Debt profile lengthened with reduction of costs – Cemig D

## Cemig D: debt profile

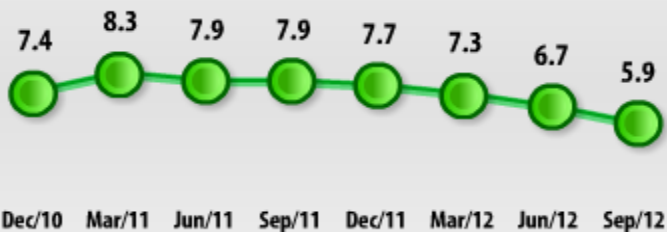
Maturities profile:  
Average tenor 2.1 years



Main debt indexes



Average real cost of debt (%)



Financial multiples



\* Constant September 2012 currency; includes holdings.

# Superior credit capacity recognized by the major rating agencies



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

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



**Investment Grade**

Aa1.br Cemig GT and Cemig D National scale  
 Aa2.br Cemig H National scale  
**Baa3 Cemig GT and Cemig D Global scale**  
 Ba1 Cemig H Global scale

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



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

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



*Solid fundamentals assured by excellent financial management, stable profitability, strong cash generation and robust corporate governance.*

# Opportunities of raising funds to finance expansion

## Cemig is ready to enjoy market liquidity



### Local Bank Market

- Debt rollover
- Assignment of receivables
- Project Finance (Cemig as a minority shareholder)

### Local Capital Market

- Debentures are the major source of funds for investment (long term and inflation indexed)
- Securitizations

### International Capital Market

- Eurobonds (high liquidity, long term, but proceeds used only to refinance existing debt)
- Perpetual bonds as a viable alternative in the long run

### Multilateral Agencies

- CAF, JBIC, KfW, World Bank, IDB
- Long term
- Attractive costs
- Tax breaks on remittance of interests

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



# Agenda

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

# Long Term Strategic Plan addresses sustainable growth...



- Broadening of CEMIG's area of activity, focusing on the electric industry
  - Growth within Brazil's geographical area
  - First steps towards international investments
  - Expansion in line with Brazilian regulatory limits and sustainable growth
  - Invest only in the power industry and gas distribution related business
- Addressing shareholders' long-term interests:
  - Dividend policy: minimum a 50% of net income payout and extraordinary dividends, provided cash availability (stated in the bylaws)
  - Corporate governance focused on transparency and respect of minority shareholders' interests
- Incorporation of our goals and commitments to our bylaws secures stability of the company's long-term planning
  - Capex limited to 40% of EBITDA:
  - Net Debt limited to 2x EBITDA (2.5 x with acquisitions)
  - Net Debt limited to 40% of Total Capitalization (50% with acquisitions)

# ...Investment policy to guarantee sustainable growth

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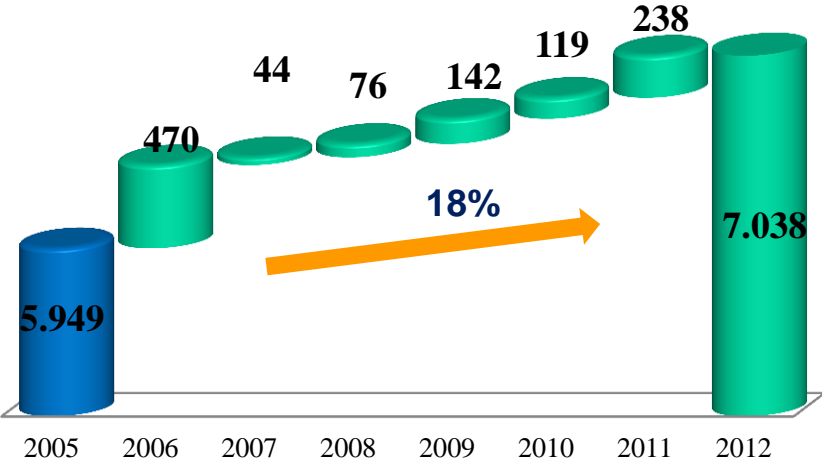


- **Pillars of our activity:**
  - Focus on electricity sector and related activities
  - Profitability: return compatible with each business
  - Partnerships with strategic investors: corporate governance
- **Growth through new projects**, long-term vision
  - Opportunities in electricity generation and transmission
- **Acquisitions, drivers for short-term growth**
- **Investment Criteria Selection:**
  - Investments that add value to our shareholders
  - Continuous technological and operational improvement
  - Best management practices
- **Guarantees to ensure profitability (stated in the bylaws):**
  - Investment only in power generation, transmission and distribution and gas&oil projects that offer rates of return compatible with the risk of each business but higher than the level projected in the Strategic Plan, with the exception of legal obligations.
  - Operational expenses and revenues of electricity distribution companies, must be kept aligned to the tariff adjustments and reviews.

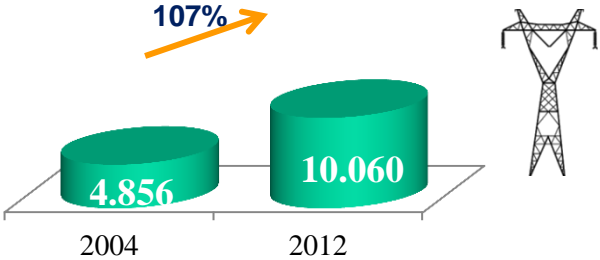
# Strategic Plan Results



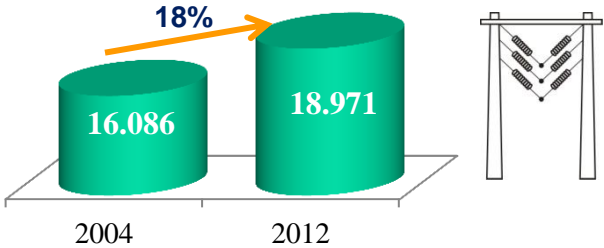
## Power Generation



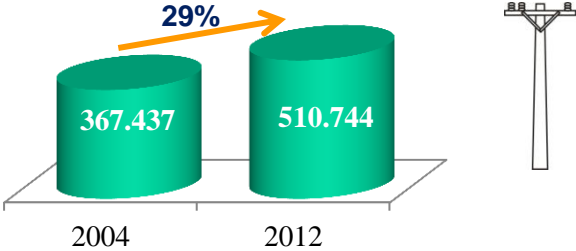
## Power Transmission lines - km



## Sub-transmission lines -km



## Electricity Distribution lines -km



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



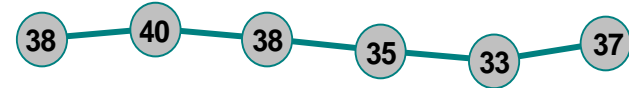
# Strategic Plan Results



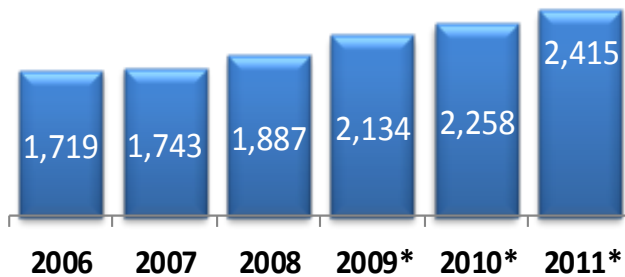
Net margin (%)



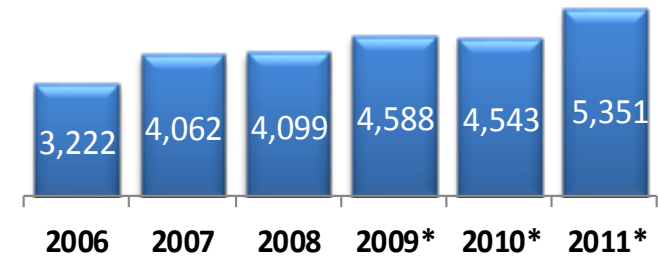
Ebitda margin (%)



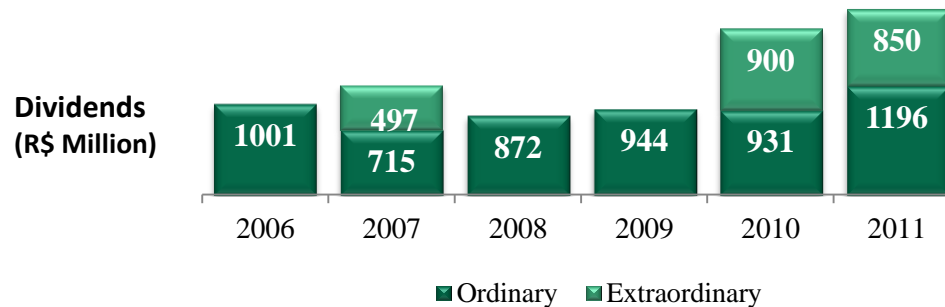
Net income (R\$ million)



Ebitda (R\$ million)



Dividend pay-out (% of Net income)



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

# Strategic Plan Results: Dividends

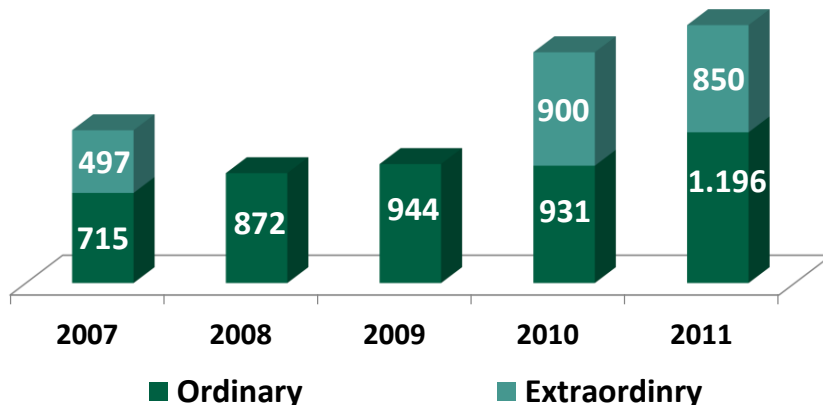
Preferred shares



## ➤ Dividends paid in 2012 reach R\$ 4.594 billion

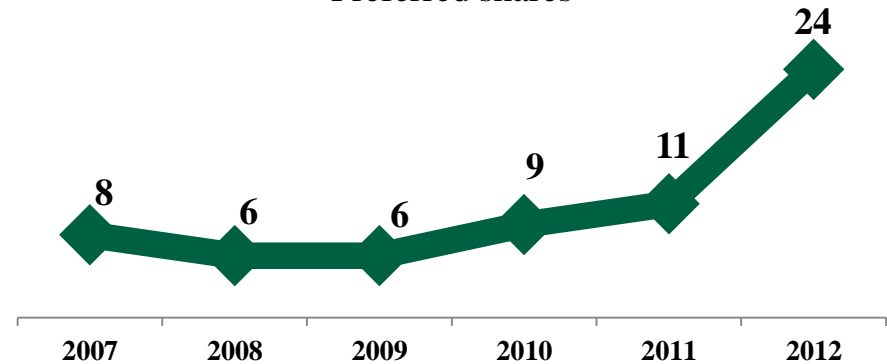
- Ordinary dividends *R\$ 1.294 billion*
- Extraordinary dividends of R\$ 1.600 billion, corresponding to R\$ 1.87 per share
- Interest on Equity for the 2012 business year Interest on Equity for the 2012 business year, to be considered as offset in the calculation of the obligatory dividend, under Paragraph 3 of Article 29 of the by-laws, in the amount of R\$ 1.700 billion, corresponding to R\$ 1.99 per share

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



### Dividend yield (%)

Preferred shares



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

# Results reflect **long-term vision**

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

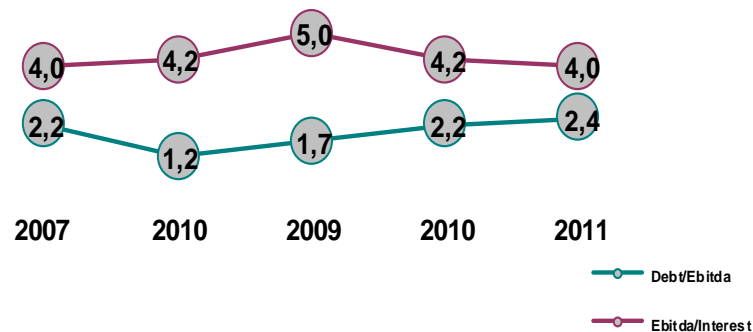
# Continuous improvement of our KPI



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

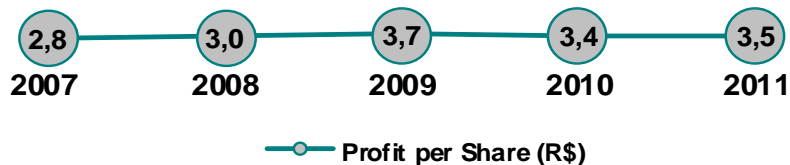


**Key debt indicators (%)**

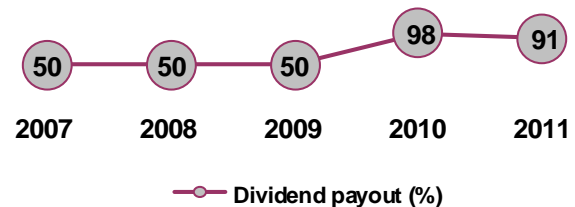


## Key performance indicators in line with Long Term Strategic Plan

**Earnings per share (R\$)**



**Dividend payout (%)**





# Agenda

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- Background
- Strategy Overview
- Business Outlook**
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# 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 (June/2012)

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	330	172
Others hydro	807	542
Hydro -Light Geração	266	205
Wind Power	71	19
Thermo	184	123
<b>Total</b>	<b>7.038</b>	<b>4.327</b>

- Cemig provides 7% of Brazil's generation capacity and supplies 25% of Brazil's free customers market

# Power Generation: Expansion

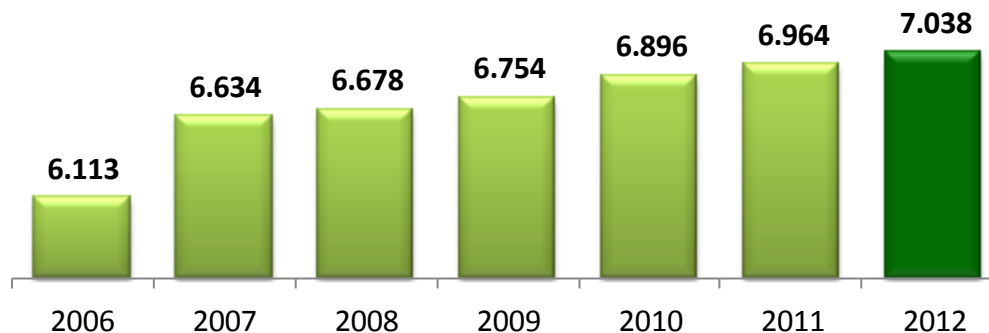


## ➤ New projects

Plant	Installed capacity (MW)	Cemig stake (%)	Start up date	Start up date with total capacity
Santo Antônio	3,150	10%	2012	2016
Itaocara Hydro Plant*	195	49%		
Belo Monte*	11,233	7,28%	2015	2018

\* With Light

## Installed capacity (MW)



\*In partnership with Light



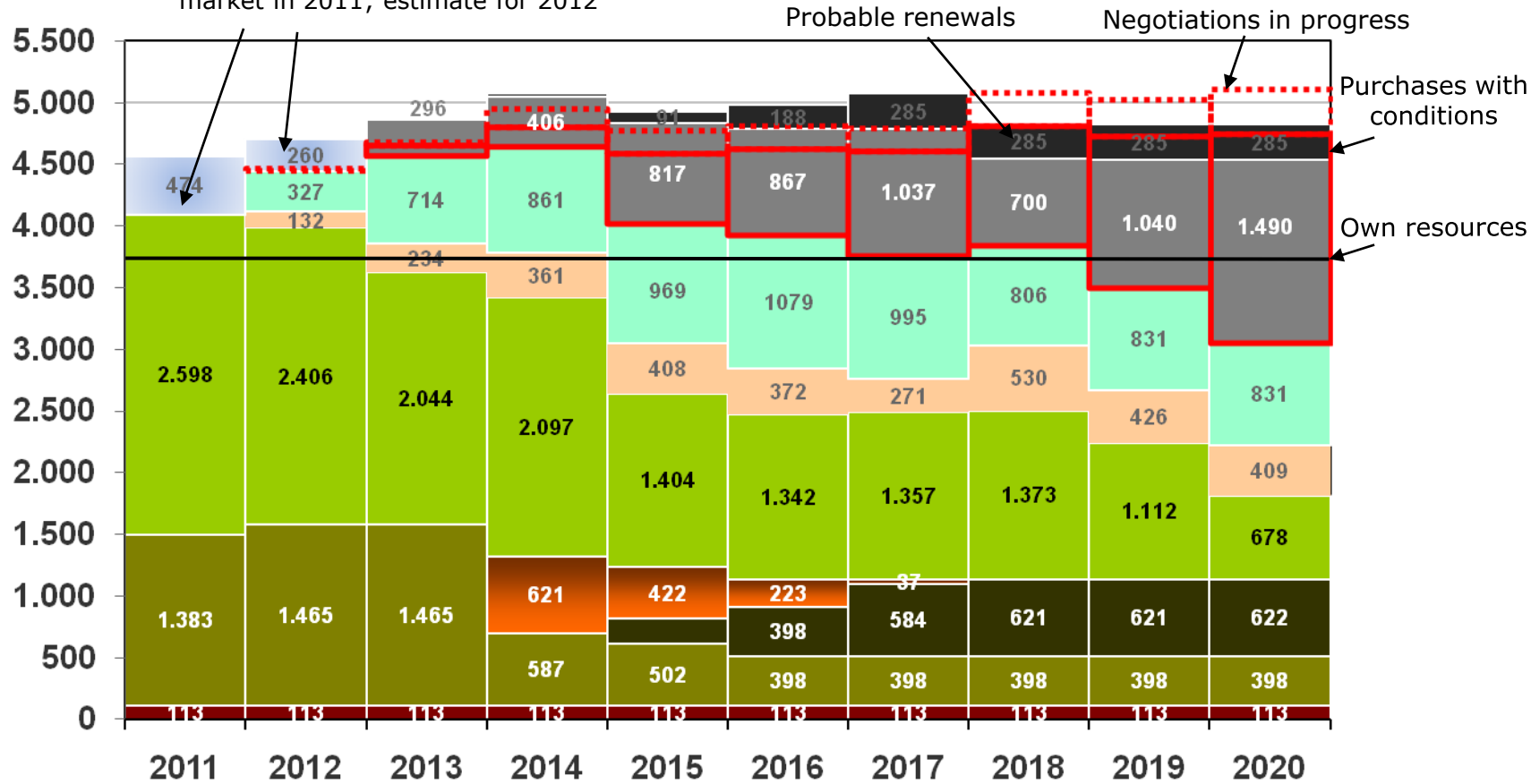
# CEMIG GT – Supply-demand balance



## Detail of requirements

Average MW Secondary supply as transacted in spot market in 2011; estimate for 2012

Conventional energy



- Available for sales or trading
- Free Market sales – new contracts
- To be defined (conc. to be renewed for the 2<sup>nd</sup> time)
- Regulated Market sales to distributors
- Intermediation (transferred to Cemig Trading)
- Free Market sales (free consumers, and traders)
- Regulated market sales forecast
- Standard operational agreement

# CEMIG GT: Power generation prices estimates



## Effect of renewal of existing contracts (R\$/MWh)

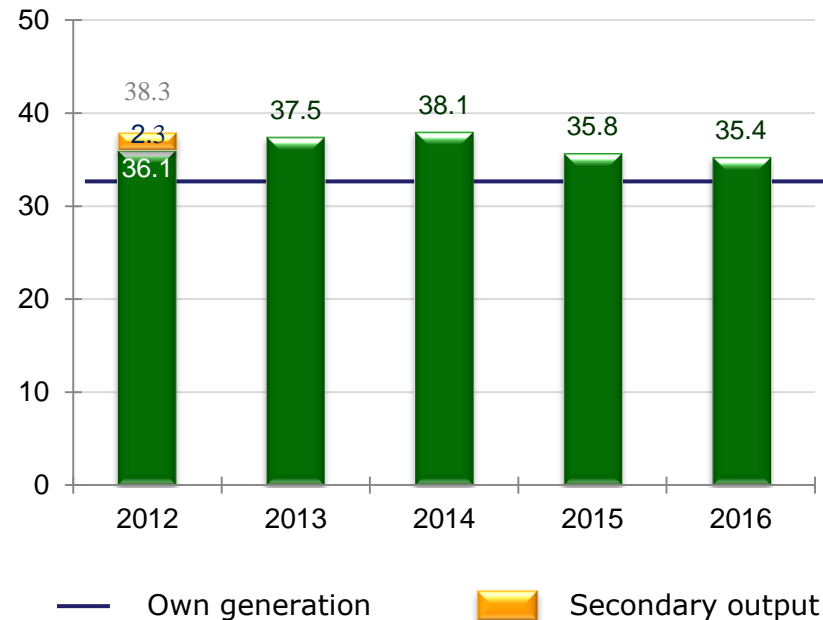


- Replacement of existing contracts, starting in 2015, by new contracts with higher prices than the present.

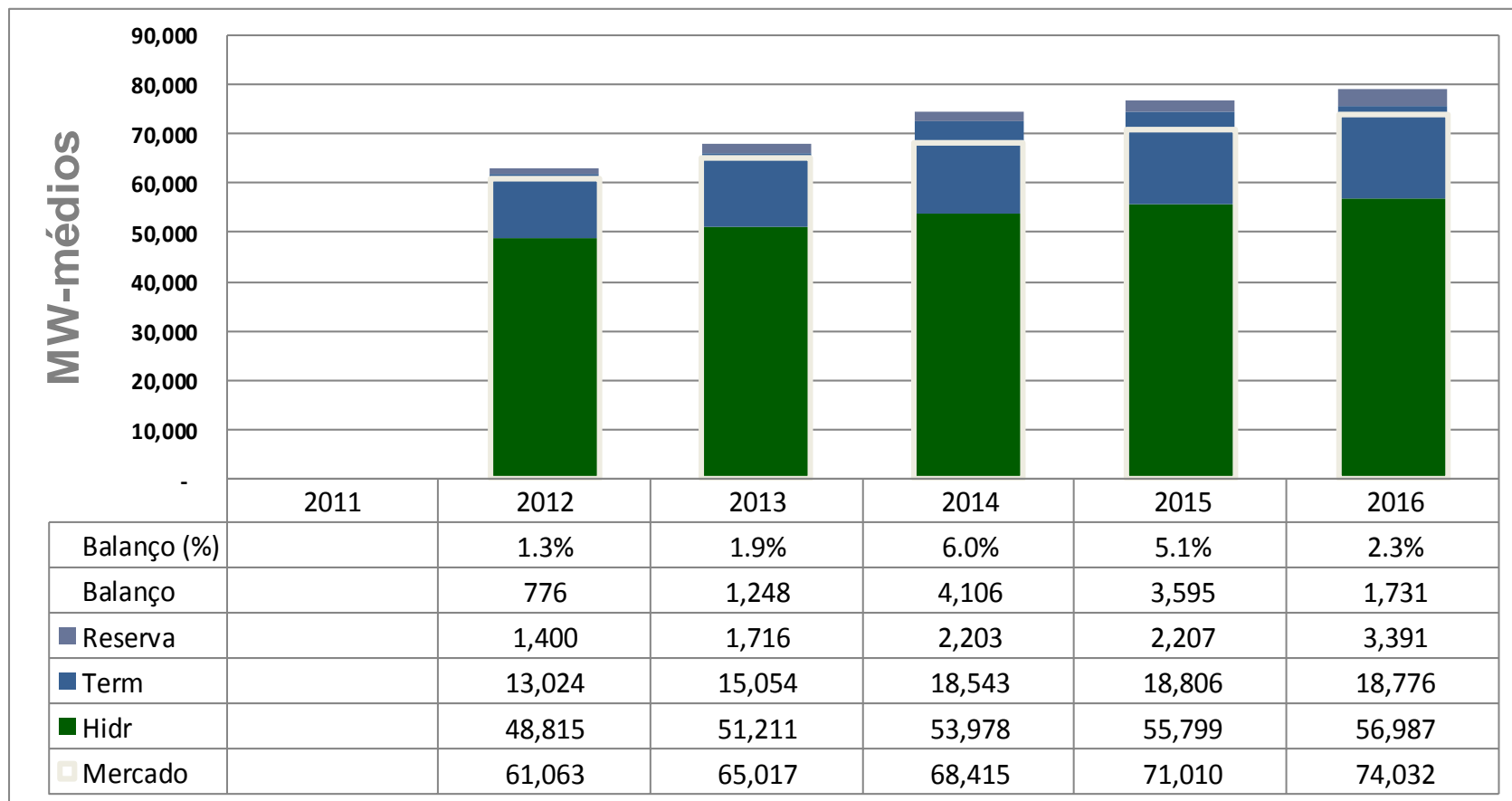
# Power Generation Sales Volume Estimates:CEMIG GT



Market – TWh



- Participation in the system's Secondary Generation in 2012 (generation in excess of physical guarantees, resulting from favorable hydrology, sold in the spot market at the spot price (PLD) ).
- Purchase of electricity (Petrobrás, Copel, Incentive-bearing sources, Wind power, RBE, excess from Santo Antônio).



Source: **PMO of May 2012**; analysis by Cemig.

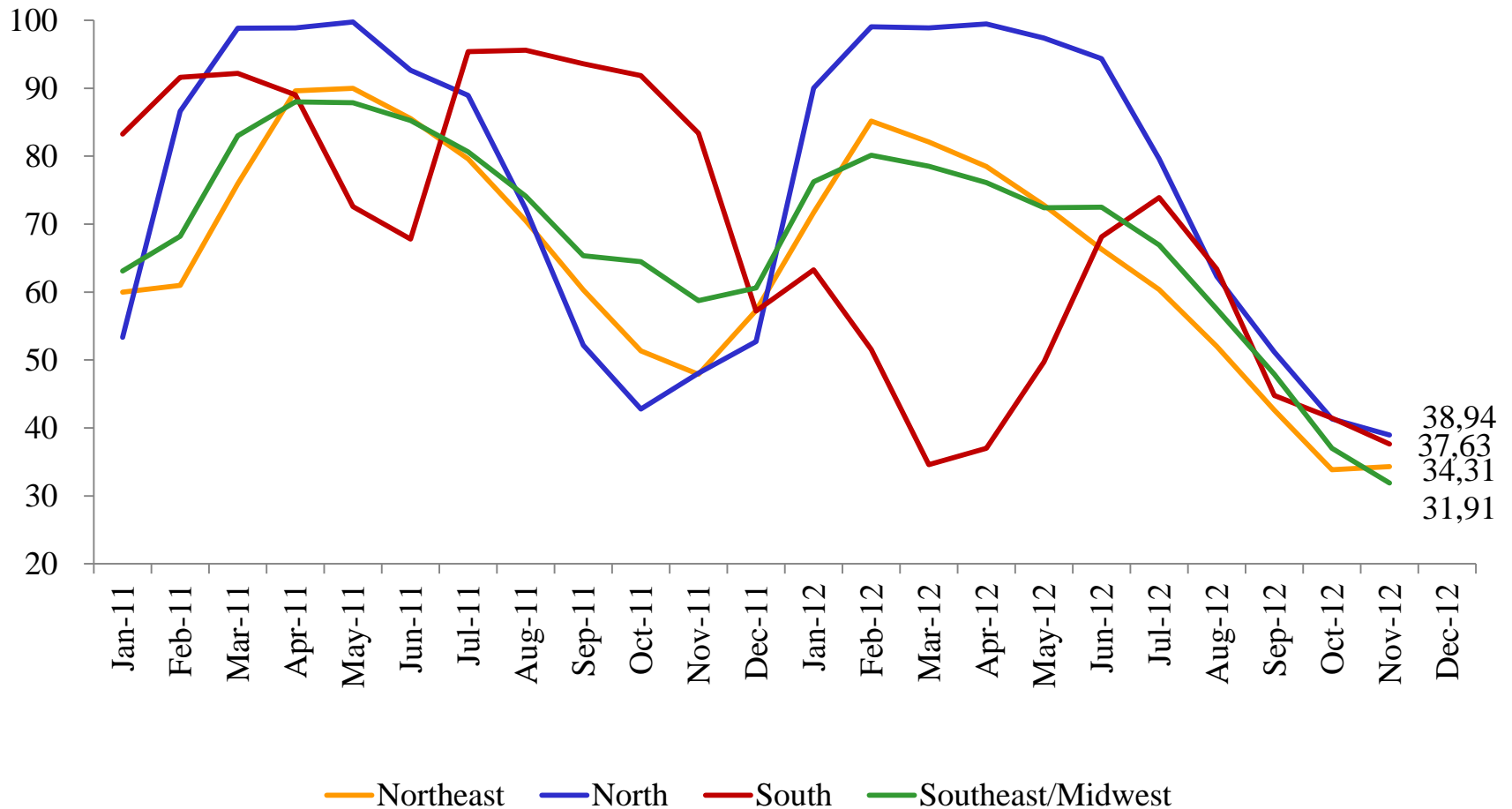
Based on expectation of **4.4% annual GDP growth** over **2012–16**.



# Level of reservoirs (%)\*



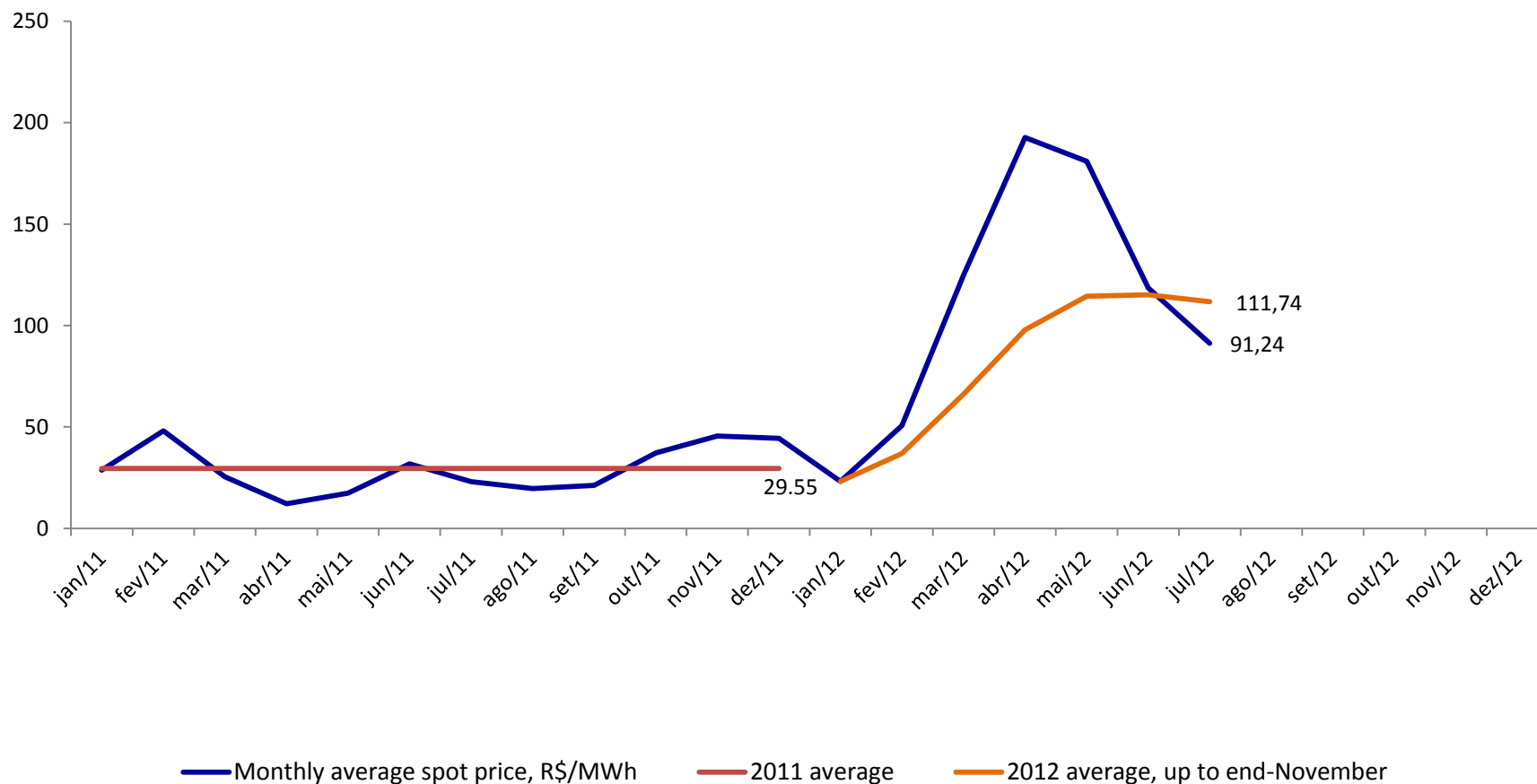
## Level of reservoirs by region (%)



\*Source: ONS

# Spot Market: 2011/2012

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



\*Source: CCEE

# Power Generation Auctions:2011/2012



Name	Date	Power Plant	Capacity Installed(MW)	Efective Power (MW Average)	Price/MWh
Adjustment Auctions*	2011 February 17 <sup>th</sup>	Existent energy	-	-	R\$ 109.84 <sub>avg</sub>
A-3 Reserve Power Auctions (582 Projects)	2011 Agost 17 <sup>th</sup>	Wind power (44 projects)	1,067.7	484.2	99.58
		Hydro Plant (1 project)	450.0	209.3	102.0
		Natural Gas (2 projects)	1,029.1	900.9	103.26
		Biomass (4 projects)	197.8	91.7	102.41
A-3 Power Auctions	2012 Canceled	Wind plants (583 projects)	14.260,0	-	-
		Natural gas thermal plants (26 projects)	10.343,0	-	-
		Biomass thermal plants (24 projects)	1.094,0	-	-
		Hydroelectric plants (3 projects)	941,0	-	-
		Total	26.638,0	-	-
A-5 Power Auctions	2012 December 14th	Wind plants (10 projects)	281,9	152,2	R\$ 87,94avg
		Hydroelectric plants (2 projects)	292,4	292,4	R\$ 88,65 avg
		Total	574,3	-	-

# Business Opportunities: Small Hydros Program



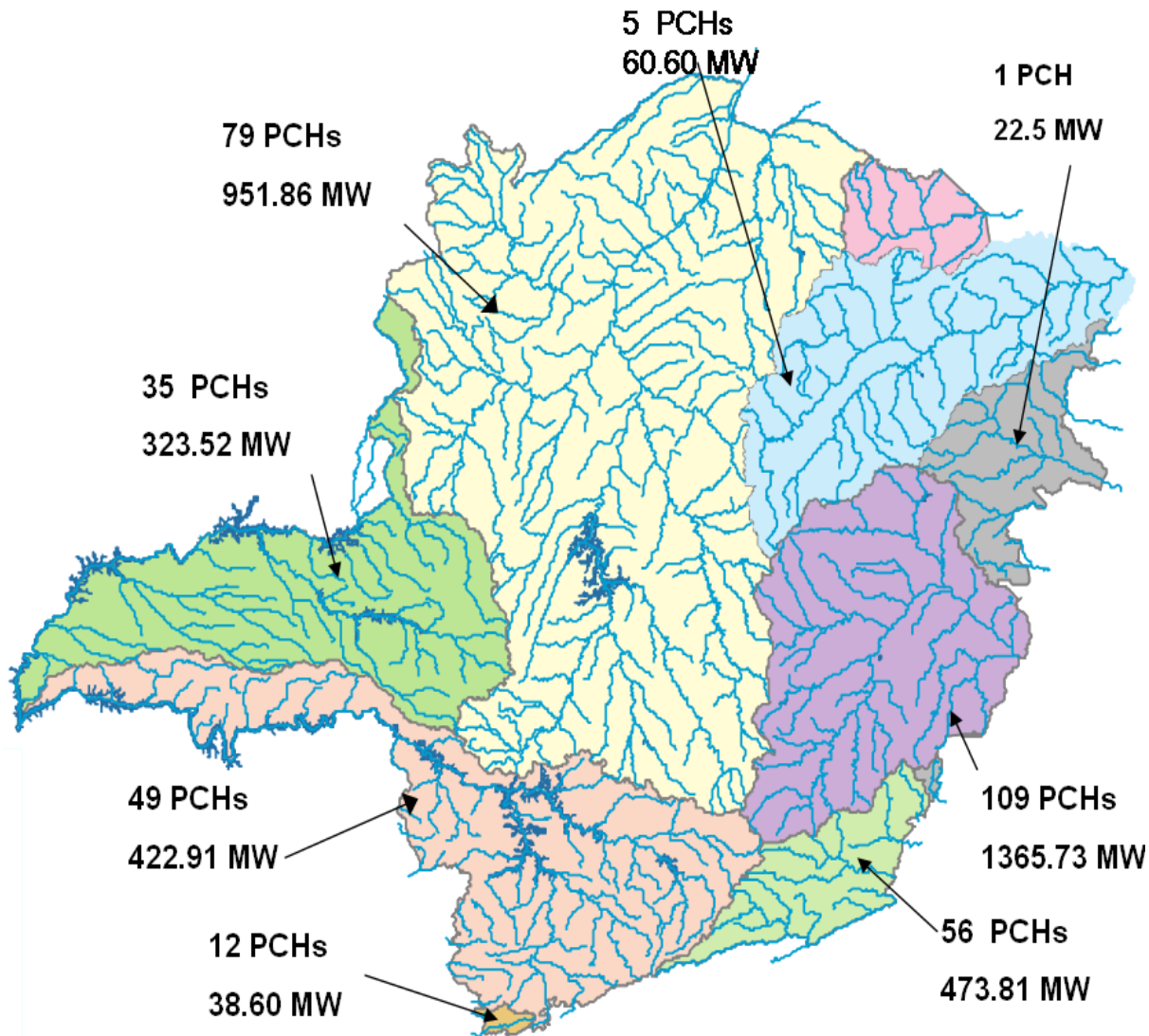
➤ **Short-term supply alternative**

➤ **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 Guanhões, Senhora do Porto e Jacaré);
- 05 Small Hydro Power Plants (77 MW) in evaluation.



PCH = Small Hydro Power Plant



# Business Opportunities: biomass cogeneration



## Sugar and ethanol potencial in Minas gerais

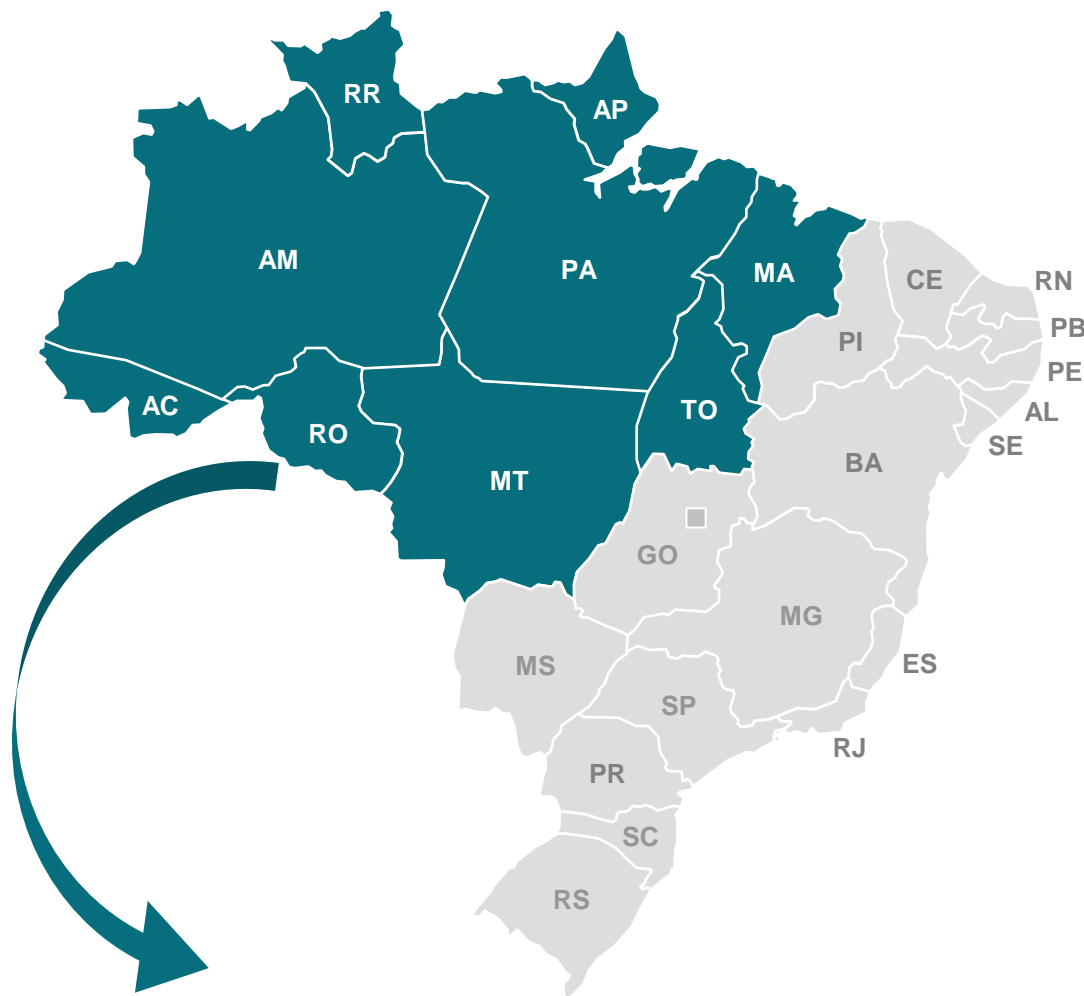
Plants	Quantity*	Generatn. (MWa**)	Surplus (MWa**)
Existing	12	750	300
Expected	22	2,416	1,631
<b>Total</b>	<b>34</b>	<b>3,166</b>	<b>1,931</b>

\* Just includes plants available to generate and sell power

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

- ✓ Approximately 75% of the plants are located in the heavy-industry region known as the Minas Triangle
- ✓ Generation available from April to September, the dry season for the hydro power plants
- ✓ Solutions offered by Cemig through its subsidiaries:
  - Connection of Plants to the national electricity grid.
  - Sale of excess electricity generated not consumed by the Plant itself.
  - Formation of corporate partnerships, creating Special-purpose Companies, to implement or retrofit thermal plants.

# Brazilian hydroelectric power generation potential



*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
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
<b>TOTAL</b>		<b>87,535</b>	<b>155,827</b>	<b>243,362</b>

Source: Eletrobrás (SIPOT).

# Tapajós Complex

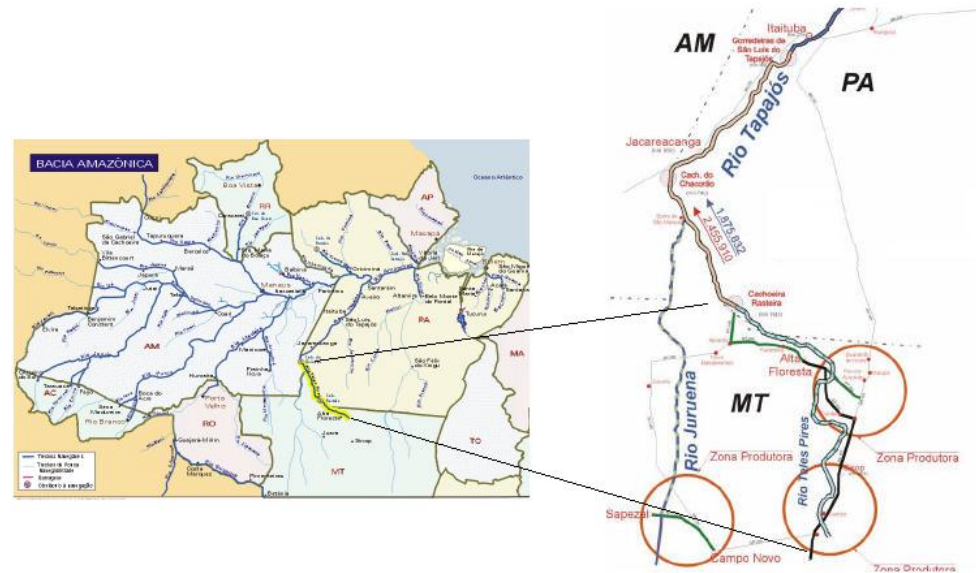
- ✓ Location: Tapajós Basin, PARA State
- ✓ 5 Hydro Power Plants
- ✓ Installed Capacity: 10,682 MW
- ✓ Assured energy: 4,581 average MW (expected)



Power Plant	River	Installed Capacity -MW	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<sup>3</sup>/s, lake 271 km<sup>2</sup>, resulting in lower ratio between reservoir area and total energy generated than in other Amazon region plants: index of 0.09
  - Balbina ( 250 MW, 2,360 km<sup>2</sup> reservoir): index 9.44
  - Samuel ( 217 MW, 584 km<sup>2</sup> reservoir): index 2.69
  - Manso ( 210 MW, 387 km<sup>2</sup> reservoir): index 1.84
  - Tucuruí (4,000 MW, 2,414 km<sup>2</sup> reservoir): index 0.61
  - Belo Monte (11,000 MW, 440 km<sup>2</sup> reservoir): index 0.04
- Low population on banks of Madeira River:
  - 1,762 people affected ,in 415 homes
- EPC Group
  - Construction leaders:
    - Norberto Odebrecht and Andrade Gutierrez
  - Manufacturers of rotors and generators:
    - Alstom, VA Tech Hydro and Voith

# Belo Monte hydro plant – basic information

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- Concession period: 35 years
- 11,233 MW of installed capacity
- Assured energy: 4,571MW average
- 516 km<sup>2</sup> reservoir
- Ratio between reservoir area and total energy generated: 0.04 km<sup>2</sup> /MW
- Estimated cost of the project: R\$ 25.8 billion

# Wind power potential in Minas Gerais



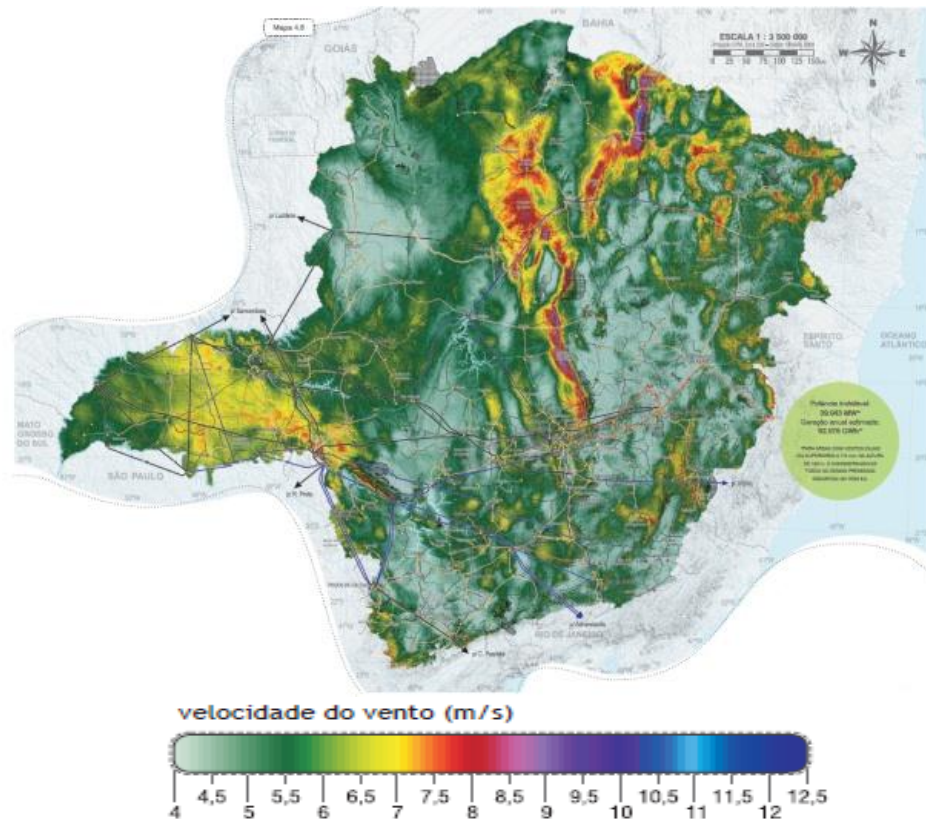
Cemig is one of the pioneer companies in terms of wind generation in Brazil through the *Morro do Camelinho* plant, which was connected to the grid in 1992.

## Wind power map of Brazil:

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

## Wind power map of Minas Gerais:

The Wind Atlas of Minas Gerais indicates wind potential of 39 GW, for a height of 100 meters<sup>(3)</sup>. This is 2.7 times the output of the Itaipu Plant, or 3.5 times more than 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](http://www.cresesb.cepel.br/atlas_eolico_brasil/atlas.htm))

(2) Source: Aneel

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

(3) Source: Wind Atlas Minas Gerais.

# Power Transmission Capacity (Km)

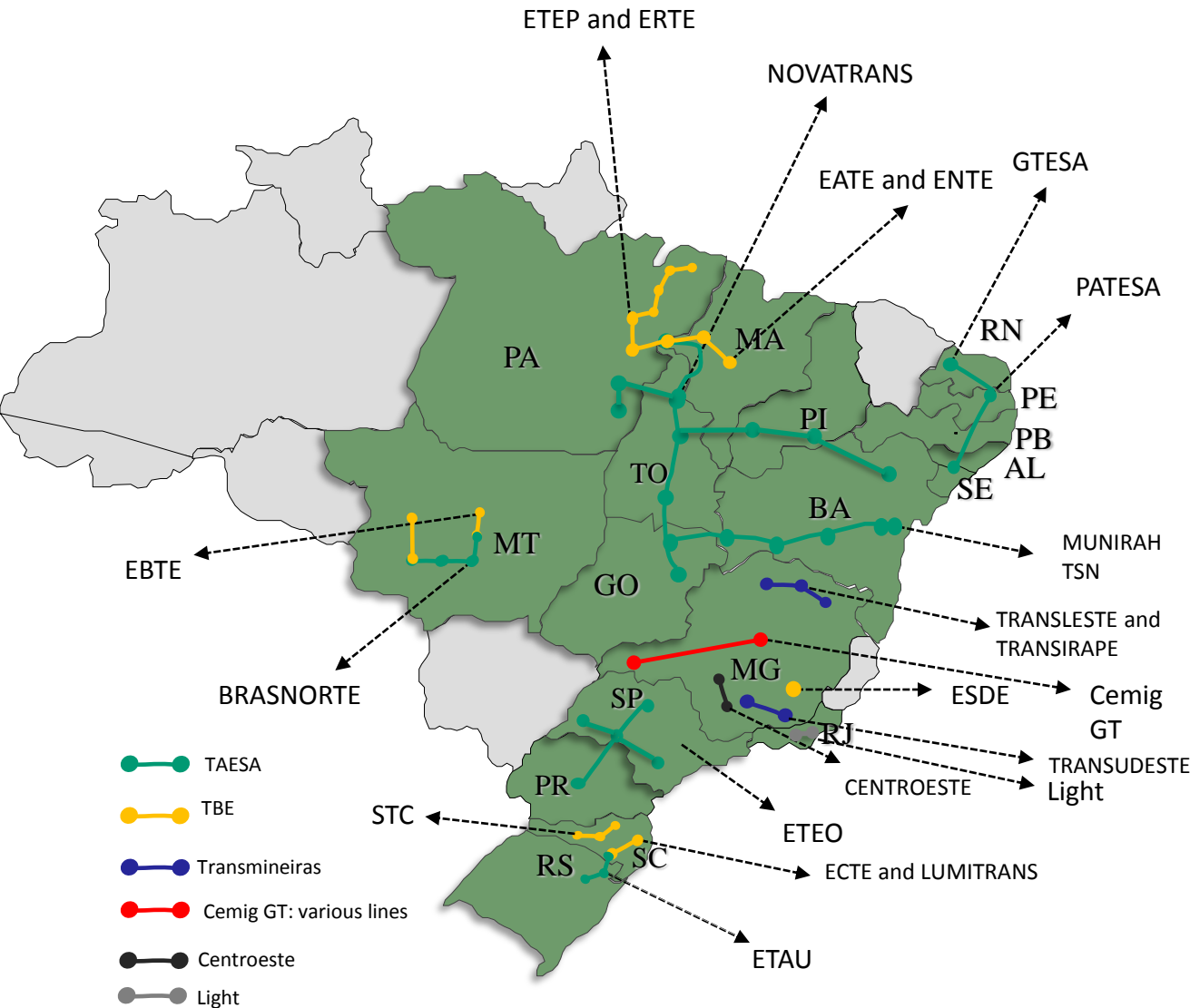


	2006	2007	2008	2009	2010	2011	2Q2012
>525-Kv lines	0	0	51	77	101	127	127
500-kV lines	2.592	2.488	2.788	3.594	4.421	4.421	5.284
345-kV lines	1.969	2.001	2.001	2.167	2.358	2.358	2.248
230-kV lines	803	824	915	1.668	1.888	1.888	2.401
Total	5.364	5.313	5.755	7.506	8.768	8.794	10.060

- 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: 10,060Km
- Consolidated Permitted Annual Revenue (RAP-2010): R\$1.7 billion, including Transchile
- Present in 19 States of Brazil and in Chile



# Transmission: Present all over Brazil

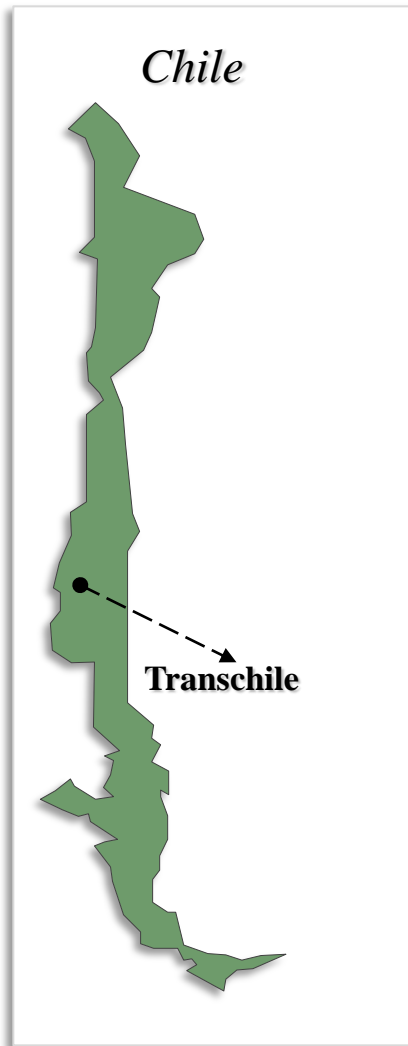


Values of RAP (Permitted Annual Revenue) Specified by Aneel Homologating Resolution N° 1313*				
Company	RAP	Cemig % interest	In Cemig Consolidated result	Cemig GT
Taesa		43,0%		638.566.429
ETEO	130.695.987	100,0%	56.199.275	
ETAU	32.230.169	52,6%	7.287.048	
Novatrans	386.271.534	100,0%	166.096.760	
TSN	361.361.807	100,0%	155.385.577	
Gtesa	6.610.066	100,0%	2.842.328	
Patesa	15.875.326	100,0%	6.826.390	
Munirah	27.116.003	100,0%	11.659.881	
Brasnorte	21.983.585	38,7%	3.655.453	
Abengoa				
NTE	113.773.931	100,0%	48.922.790	
STE	60.710.249	100,0%	26.105.407	
ATEI	110.733.507	100,0%	47.615.408	
ATEII	168.557.454	100,0%	72.479.705	
ATEIII	77.884.667	100,0%	33.490.407	
Cemig GT	485.248.168	100,0%	485.248.168	485.248.168
Cemig Itajubá	30.478.914	100,0%	30.478.914	30.478.914
Centroeste	12.931.500	51,0%	6.595.065	
Transirapé	16.767.372	24,5%	4.108.006	
Transleste	30.326.381	25,0%	7.581.595	
Transudeste	18.796.578	24,0%	4.511.179	
TBE				
EATE	319.747.817	50,0%	159.809.959	
STC	30.054.382	40,0%	12.018.747	
Lumitrans	19.783.390	40,0%	7.911.378	
ENTE	167.314.049	50,0%	83.640.293	
ERTE	29.567.524	50,0%	14.780.805	
ETEP	72.846.843	50,0%	36.408.852	
ECTE	70.610.434	19,1%	13.479.532	
EBTE (Stakes of Cemig GT + EATE)	33.500.428	74,5%	24.954.469	
ESDE	10.098.940	50,0%	5.046.440	4.948.480
Light	6.645.644	32,6%	2.165.151	
Transchile**	17.138.480	49,0%	8.397.855	
<b>RAP: CEMIG TOTALS</b>			<b>1.545.702.836</b>	<b>1.159.241.991</b>

\* Permitted Annual Revenue in effect from July 1, 2012 to June 30, 2013.

<http://www.aneel.gov.br/cedoc/reh20121313.pdf>

\*\*Transmission revenue of Chile-based Transchile is set in US\$, and adjusted annually by Chilean government Decree 163 ([http://www.cne.cl/images/stories/normativas/otros%20niveles/electricidad/DOC65\\_-\\_decreto163obrasurgentes.pdf](http://www.cne.cl/images/stories/normativas/otros%20niveles/electricidad/DOC65_-_decreto163obrasurgentes.pdf)). For the year 2012 (January through December) its budgeted transmission revenue was in the order of US\$8,314,000. For the year 2013 the figure currently expected is US\$ 8,462,000.00. For conversion into Reais in this table, the exchange rate of November 13, 2012 was used: R\$2.0614/US\$.



## Charrúa–Nueva Temuco Transmission Line

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

## Auctions

### 2012

Auction 007/2012

4,269 km of transmission lines, in 8 lots, representing maximum RAP of R\$ 501.3 million

Principal line elements

- From Miracema to Sapeaçu: 1,763 km / maximum RAP: R\$ 196.4 million
- From Barreiras II to Pirapora: 913 km / maximum RAP: R\$ 119.8 million
- From Milagres II to Açú III: 344 km / maximum RAP: R\$ 57.9 million
- From Marimbondo II to Assis: 300 km / maximum RAP: R\$ 41.2 million

Three companies and two consortium won these lots

### 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

### 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

### 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

# The 1<sup>st</sup> 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:

- WACC:** 9.18% p.a.
- Operational Costs:** Defined by application of efficiency parameters, obtained by the DEA benchmarking method, to companies' real costs.

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

- Backdated payment, including monetary updating: R\$ 158 million.
- RAP for 2009 (with charges/taxes) goes to R\$ 475 million.
- Gross base: R\$ 2.5 billion
- Net base: R\$ 1.1 billion

The financial effects of this review are taken into account in Cemig's Guidance for 2010.

# Electricity Distribution Capacity



Network in km	2008	2009	2010	2011	2Q2012
<b>SUB-TRANSMISSION</b>	16.810	16.959	17.096	17.367	17.594
161-kV lines	55	55	55	55	55
138-kV lines	11.254	11.442	11.491	11.749	12.084
69-kV lines	4.535	4.508	4.595	4.608	4.498
Lines below 69 kV	966	954	955	955	957
<b>DISTRIBUTION</b>	442.749	450.316	457.463	467.679	493.150
Urban Overhead lines	91.550	95.539	96.469	102.292	106.189
Urban Underground lines	1.380	1.432	1.432	2.190	2.211
Rural Overhead Lines	349.819	353.345	359.562	363.197	384.750
<b>TOTAL</b>	459.559	467.275	474.559	485.046	510.744
<b>CAPACIDADE DE TRANSFORMAÇÃO DAS SE'S</b>		7.716			
Número de Subestações	32	32			

- 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



# Cemig D: sales by category in 2011

**Total sales volume,  
Change, 3Q11 to 3Q12 - GWh  
- 0.5%**

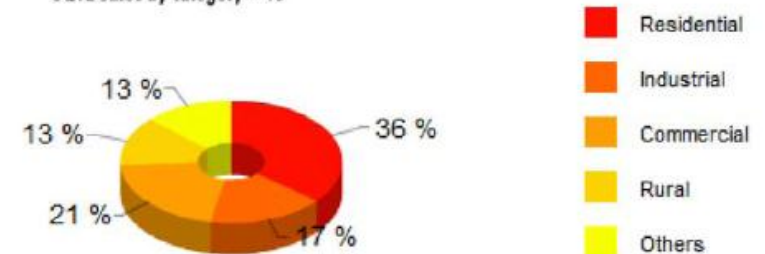


**Sales by consumer type GWh**

CONSUMERS	3Q12	3Q11	CHANGE
Residential	2,210	2,144	3.1%
Industrial	1,044	1,143	-8.6%
Commercial	1,290	1,253	3.0%
Rural	827	813	1.7%
Others	822	814	1.0%
Subtotal	6,193	6,166	0.4%
CCEE	88	146	-40.1%
<b>TOTAL</b>	<b>6,281</b>	<b>6,312</b>	<b>-0.5%</b>

- ✓ Consumption growth pace continues in residential, commercial and rural categories
- ✓ Strategy of reducing overcontracting in CCEE has been successful
- ✓ Reduction in industrial category reflects migration of captive consumers to Free Market

**3Q12 sales by category - %**

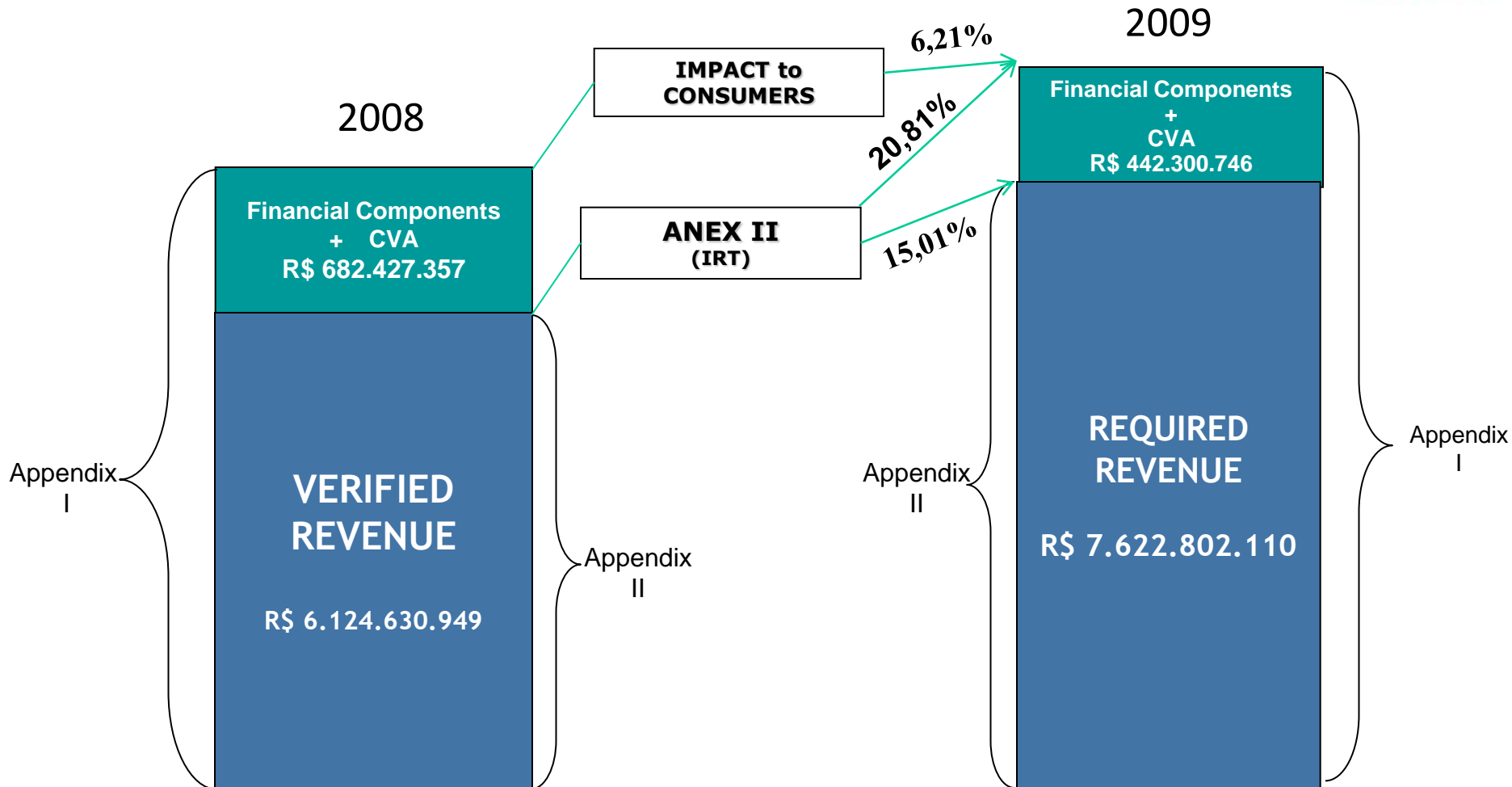


# Electricity Distribution tariff review



- Allowed return on asset approach:
  - Benchmark WACC: was 11.26% in 1<sup>st</sup> cycle (2003)
  - Tariff review: WACC of 9.95% in 2<sup>nd</sup> cycle (2008)
  
- New Tariff Review methodology:
  - Reference company model disclosed:
    - Black box opened.
  - Asset base review every 10 years (proposal): CEMIG in 2013;
  - Regulatory energy losses and delinquency rate specific for each concession area;
  - Special obligation financed asset depreciation will be granted in the long run;
  - X Factor: excluded the influence of Consumers Satisfaction Index.
  
- Cemig Distribution 2<sup>nd</sup> tariff review:
  - 2008 Preliminary Result: -12.24%
  - 2009 Final result: -13.66%
    - Regulatory Ebitda Margin: 21%
    - Losses coverage: sufficient
    - Market Growth: 3.17% p.a. ( less risk than in 2003)
    - X Factor (Xe) : 0.14%

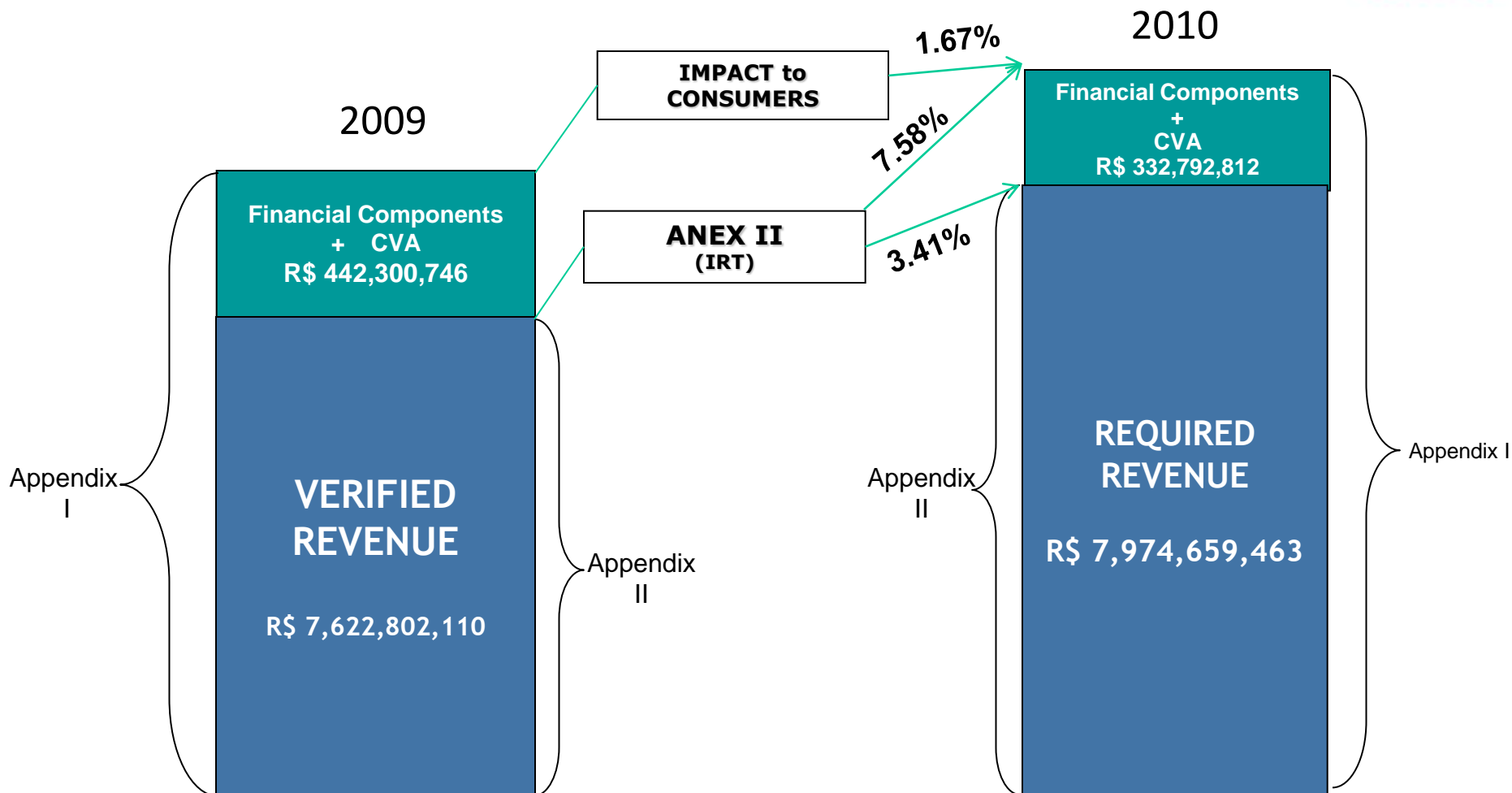
# Cemig D 2009 readjustment and Impact on Tariff



Appendix I: Tariffs billed to consumers, including RTE, CVA and financial components, without taxes.

Appendix II: Tariffs considered "clean", base for posterior readjustments, without taxes (ICMS, Pasep/Cofins)

# Cemig D 2010 readjustment and Impact on Tariff



Appendix I: Tariffs billed to consumers, including RTE, CVA and financial components, without taxes.

Appendix II: Tariffs considered "clean", base for posterior readjustments, without taxes (ICMS, Pasep/Cofins)

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



<b>1<sup>st</sup> Tariff Review 2003</b>	<b>2<sup>nd</sup> Tariff Review 2008</b>	<b>2<sup>nd</sup> Tariff Review 2009 Final</b>
<ul style="list-style-type: none"><li>• Regulatory Ebitda Margin: 21.2%</li><li>• Losses coverage: inadequate</li><li>• Market Growth: 3.7% p.a. (with risk of being lower; at the time, was 2.0% p.a.)</li><li>• X Factor (Xe): 1.25%</li></ul>	<ul style="list-style-type: none"><li>• Regulatory Ebitda Margin: 21%</li><li>• Losses coverage: sufficient</li><li>• Market Growth: 3.17% p.a. ( less risk than in 2003)</li><li>• X Factor (Xe) : 0.84%</li></ul>	<ul style="list-style-type: none"><li>• Regulatory Ebitda Margin: 21%</li><li>• Losses coverage: sufficient</li><li>• Market Growth: 3.17% p.a. ( less risk than in 2003)</li><li>• X Factor (Xe) : 0.14%</li></ul>

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



Regulatory Proposal		
WACC	2nd Cycle ( Final)	3rd Cycle (Aneel's Proposal)
<b>Debt</b>		
Cost of Debt (Rd)	14.97%	11.50%
Taxes (t)	34.00%	34.00%
Debt-to-Capital (D/D+E)	57.16%	60.00%
WAC of debt	5.65%	4.55%
<b>Equity</b>		
Risk free Rate (Rf)	5.32%	4.96%
Market Premium (Rm – Rf)	6.09%	5.78%
Beta (US)	0.55	0.65
Country Risk (Rb)	6.69%	4.42%
Regulatory Risk (Rf)	1.33%	0.00%
Cost of Equity (Re)	16.72%	13.14%
Equity-to-Capital (E/D+E)	42.84%	40.00%
WAC of Equity	7.16%	5.25%
<b>WACC (nominal, US\$)</b>	<b>12.81%</b>	<b>8.81%</b>
Us Inflation (r)	2.60%	2.48%
<b>WACC (real, US\$)</b>	<b>9.95%</b>	<b>7.50%</b>



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



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

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

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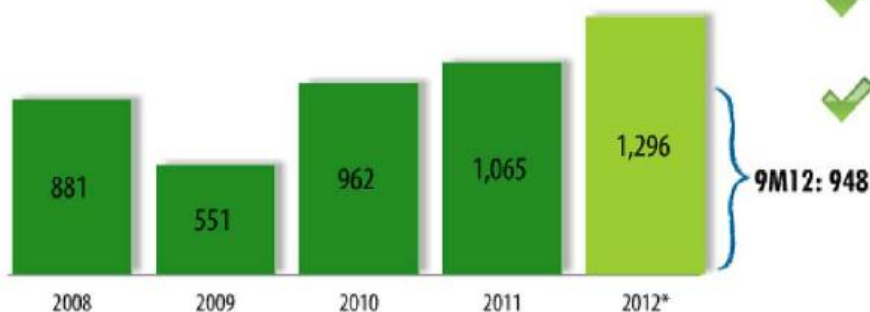
- ✓ Energy Losses: Regulatory energy losses will be defined according to the complexity of each concession area
  - Companies ranked and then grouped. In a ranking from more to less complexity, to deal with electricity losses, Cemig was considered 24<sup>th</sup> and Light 7<sup>th</sup>
  - The target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

# Natural Gas Distribution - Gasmig



- ✓ 3Q12 gross revenue R\$ 352mn: strong increase of 36% from 3Q11
- ✓ Record volume of natural gas sold in quarter: over 330 million m<sup>3</sup>
- ✓ "Steel Valley" (Vale do Aço) gas pipeline operating 2 years: 43% of Gasmig's total market
- ✓ Capex in 3Q12: R\$ 10mn
- ✓ Belo Horizonte (state capital) to have Brazil's first gas-powered buses: environmental and economic benefits
- ✓ Focus on diversification of portfolio of clients
  - Co-generation of electricity from natural gas for consumers – shopping malls, hospitals, office buildings, industry

Volume sold, million m<sup>3</sup> (Standard gas plus thermal)



\* Last 12 months



# Natural Gas Expansion: 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

## Winning Bid

- ✓ 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%

- ✓ Signature Bonus of R\$ 11.3 million to be paid as of the signature of the Concession Contracts (expected date: april/2009)
- ✓ Minimum Exploratory Program of R\$ 25.6 million. Represents a commitment, with the Oil and Gas National Agency, to investment over the next 4 to 5 years

Exploratory Block	Location	Characteristics	Expected Fluid	Winning bids			Qualified Operator
				Signature Bonus (R\$ '000)	Minimum Exploratory Program (R\$ '000)	Total Bid	
POT-T-603	Potiguar basin of the State of Rio Grande do Norte	Mature basin	Light crude oil	R\$ 2,001	R\$ 4,038	R\$ 6,039	SIPET
REC-T-163	Recôncavo basin of the State of Bahia	Mature basin	Light crude oil	R\$ 2,501	R\$ 4,470	R\$ 6,971	COMP
SF-T-104	São Francisco River basin of the State of Minas Gerais	New frontier	Dry gas	R\$ 4,000	R\$ 6,530	R\$ 10,530	COMP
SF-T-114	São Francisco River basin of the State of Minas Gerais	New frontier	Dry gas	R\$ 2,001	R\$ 6,530	R\$ 8,531	Orteng
SF-T-120	São Francisco River basin of the State of Minas Gerais	New frontier	Dry gas	R\$ 401	R\$ 2,000	R\$ 2,401	COMP
SF-T-127	São Francisco River basin of the State of Minas Gerais	New frontier	Dry gas	R\$ 401	R\$ 2,000	R\$ 2,401	Orteng

# Agenda

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

# 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.



# 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
<b>TOTAL</b>		<b>3,115</b>		

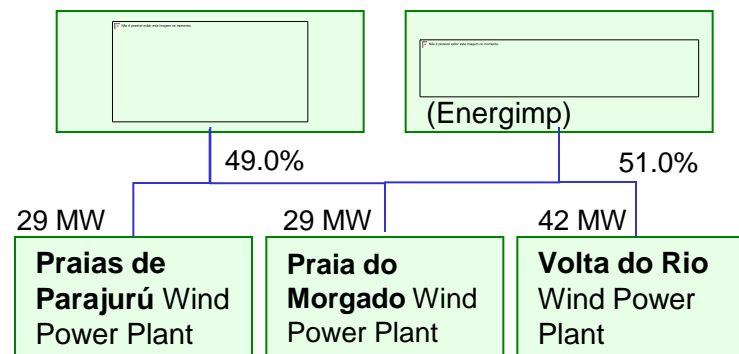
\* EBTE: Cemig GT holds a 51% interest in EBTE and EATE detains the remaining 49% stake.

# Acquisition of holdings in wind farms: The Transaction

## The Transaction

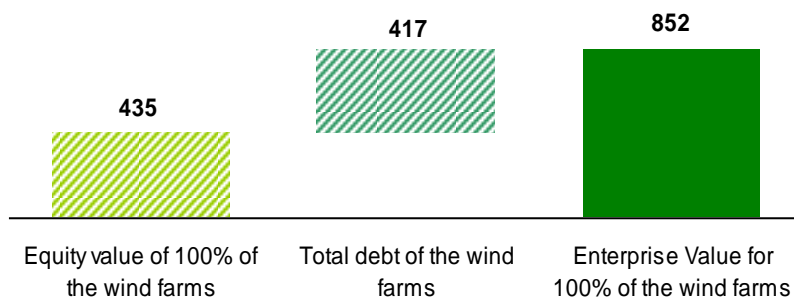
- Acquisition of 49% stockholdings in three wind farms (99.6MW) in the Brazilian State of Ceará, currently owned by **Energimp S.A.** (IMPISA).
- Price paid for the shares: R\$ 223 million, to be paid to IMPISA after approval by Aneel, the Caixa Econômica Federal (“CEF”) and Eletrobrás.
- Cemig has no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

## Resulting stockholding structure



## Equity + debt: components of EV

- R\$ million



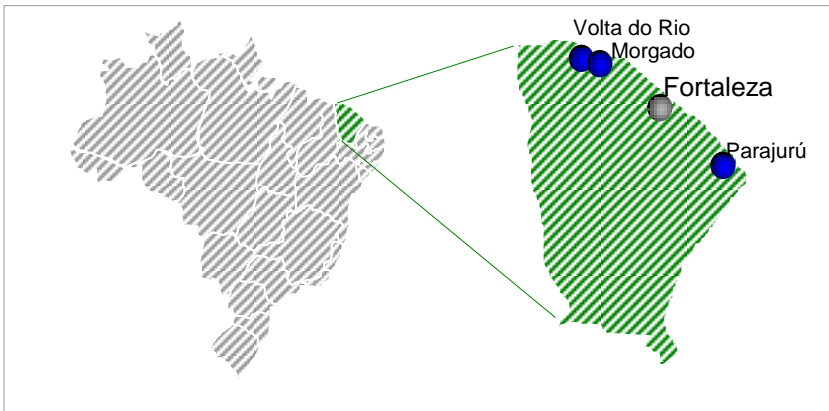
\* Includes interest on financing by CEF, pro-rata, up to estimated operational startup dates.

## 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 Parajuru Wind Power Plant

- Location: Beberibe (102km from Fortaleza), Ceará
- Equipment: 19 rotors of 1,516KW each
- Installed capacity: 28.8MW
- Load factor: >45%
- Energy contracted : 106.6GWh / year
- Client (Proinfa): Eletrobrás
- Price of electricity: Proinfa
- Concession period : 30 years

## Praia do Morgado Wind Power Plant

- Location: **Acaraú** (240km from Fortaleza), Ceará
- Equipment: 19 rotors of 1,516KW each
- Installed capacity: 28.8MW
- Load factor : >45%
- Energy contracted : 115.6GWh / year
- Client (Proinfa): Eletrobrás
- Price of electricity: Proinfa
- Concession period : 30 years

# Terna (now named TAESA) acquisition - Transaction Summary



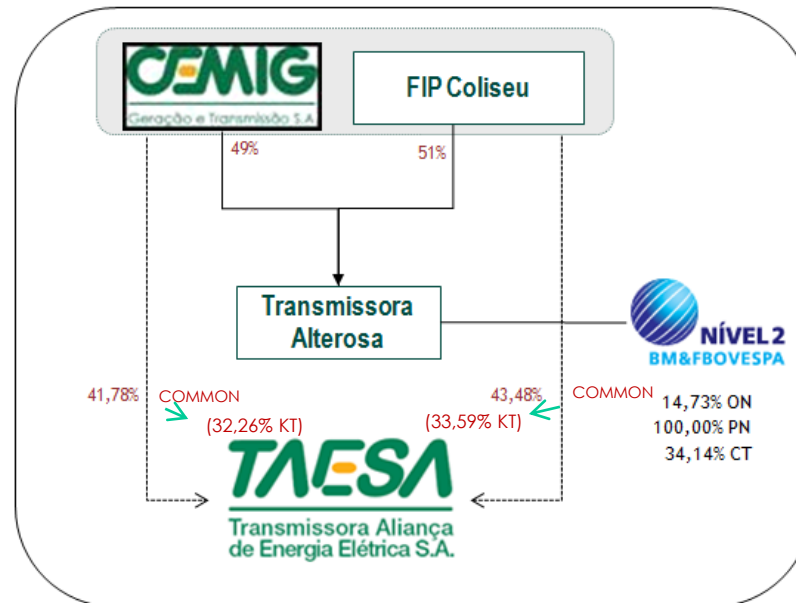
- ✓ Power Transmission Company with 3,753 km of lines in 11 Brazilian States
- ✓ Acquisition in partnership with Equity Investment Fund - FIP Coliseu
  - Largest FIP created to invest in the Brazilian electricity sector: R\$ 1.33 billion
    - Attractive to investors, as it comprises assets already in 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

# 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



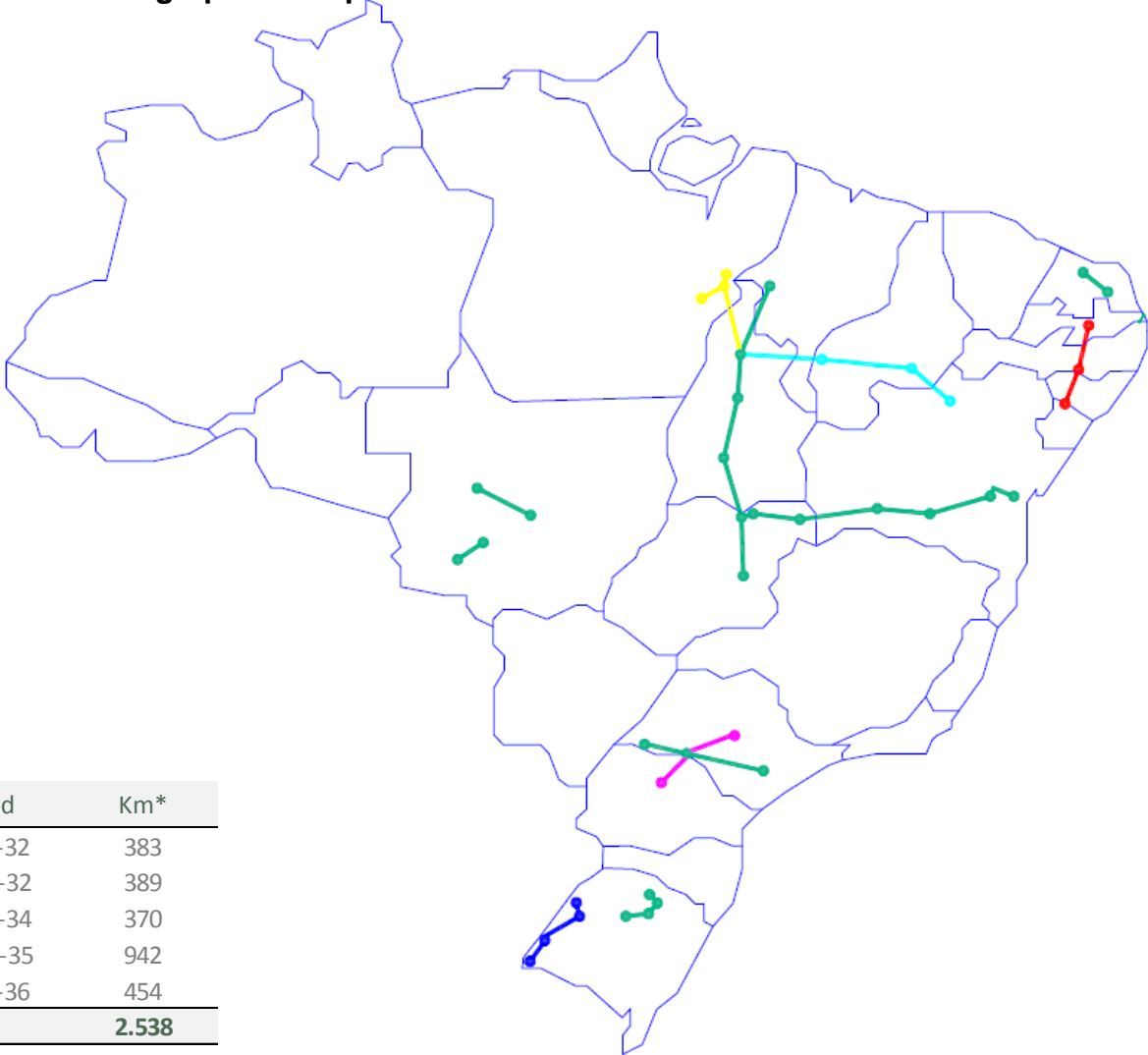
# TAESA - Transmissora Aliança de Energia Elétrica S.A - Overview



## Geographic Footprint

### Overview of Concessions

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



### 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
<b>Total</b>					<b>2.538</b>

\*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

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# CAPEX(R\$ Million)



## Investment program

INVESTMENT	SEP. 2012 ACTUAL	2012 PLANNED	2013 PLANNED
Priority 1 Projects	1,079	2,278	-
Generation	16	85	-
Transmission	27	138	-
Distribution	1,037	2,052	-
Cemig (holding company)	1	4	-
Light for Everyone – II and III	10	27	-

September 2012 R\$ mn

- ✓ 2013 investments: being revised due to Provisional Measure 579

# Large Growth in Cash Flow



	SEP. 2012	SEP. 2011
Cash at start of period	2,862	2,979
Cash generated by operations	3,278	3,088
Net income	2,712	1,706
Depreciation and amortization	712	725
Other adjustments	-146	657
<b>Financing activities</b>	<b>8</b>	<b>-619</b>
Financings obtained and capital increase	4,029	1,330
Interest on Equity, and dividends	-3,363	-1,353
Payment of loans and financings	-658	-596
<b>Investment activities</b>	<b>-3,609</b>	<b>-1,597</b>
Securities – Financial assets and others	-2,079	168
PP&E / Intangible	-1,860	-1,765
Net cash received on dilution of jointly-controlled subsidiary	615	-
Acquisition of jointly-controlled subsidiary, net of cash acquired	-285	-
<b>CASH AT END OF PERIOD</b>	<b>2,539</b>	<b>3,851</b>
<b>CASH INVESTMENTS</b>	<b>2,141</b>	<b>321</b>
	<b>4,680</b>	<b>4,172</b>

✓ Cash position provides flexibility to financial management

# Consolidated net revenue



- ✓ Growth in net revenue reflects business diversification, and positive effects of acquisitions (RME/Light S.A., TAESA and TBE companies)

Operating Revenues	3Q12	3Q11	Ch%	9M12	9M11	Ch%
Sales to end consumers	4.167	3.821	9	12.296	10.975	12
TUSD	528	561	(6)	1.559	1.465	6
Supply + Transactions in the CCEE	557	472	18	1.666	1.330	25
Revenues from Trans. Network	549	448	23	1.295	1.079	20
Gas Supply	208	153	36	546	422	29
Construction revenue	531	268	98	1.230	964	28
Others	146	110	33	463	333	39
<b>Subtotal</b>	<b>6.686</b>	<b>5.833</b>	<b>15</b>	<b>19.055</b>	<b>16.568</b>	<b>15</b>
Deductions	(1.875)	(1.791)	5	(5.683)	(5.138)	11
<b>Net Revenues</b>	<b>4.810</b>	<b>4.036</b>	<b>19</b>	<b>13.372</b>	<b>11.430</b>	<b>17</b>

# Operating Expenses

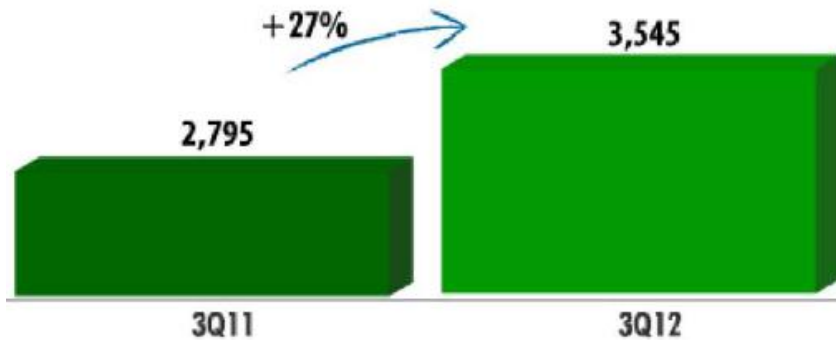


Operating Expenses	3Q12	3Q11	Ch%	9M12	9M11	Ch%
Personnel/Administrators/Councillors	321	293	10	973	897	8
Forluz – Post-Retirement Employee Benefits	31	31	-	100	93	8
Materials	22	17	29	56	65	(14)
Contracted Services	267	252	6	778	721	8
Purchased Energy	1.580	1.111	42	4.112	3.202	28
Royalties	44	38	16	140	113	24
Depreciation and Amortization	229	249	(8)	712	725	-
Operating Provisions	34	100	(66)	131	207	(37)
Charges for Use of Basic Transmission Network	139	226	(38)	623	609	2
Gas Purchased for Resale	138	93	48	356	236	51
Other Expenses	151	71	113	330	236	40
Employee Participation	59	47	26	178	71	151
Construction cost	530	267	99	1.227	962	28
<b>TOTAL</b>	<b>3.545</b>	<b>2.795</b>	<b>27</b>	<b>9.716</b>	<b>8.137</b>	<b>19</b>



# Consolidated operational expenses

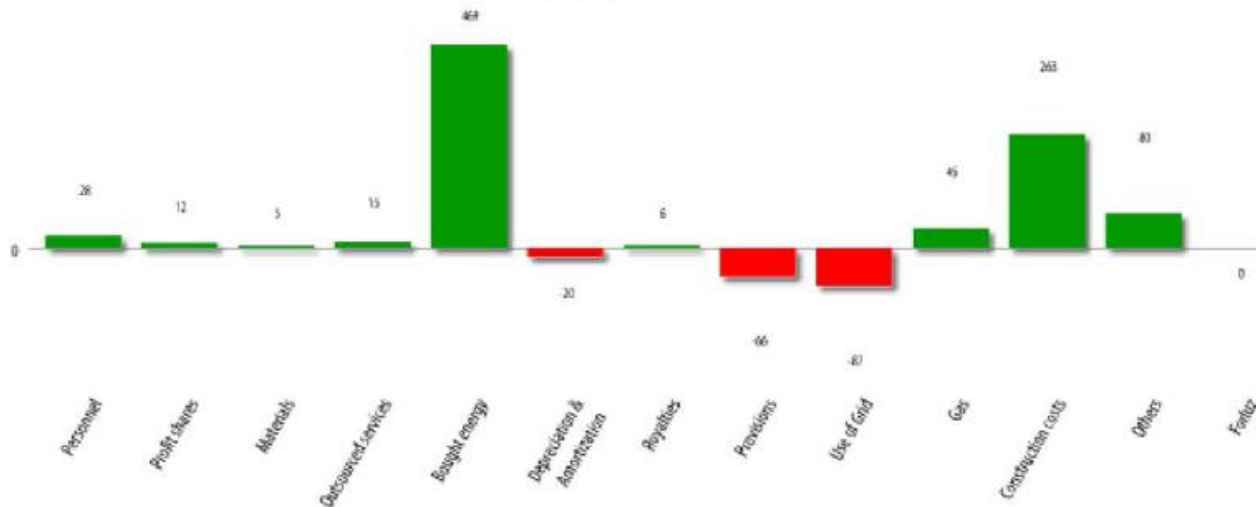
Total expenses: change, 3Q11-3Q12 - R\$ mn



✓ Increase in 3Q12 is mainly non-controllable costs – passed on to tariff

● Largest item: increase in Cemig D's expense on electricity bought for resale

Changes by type, 3Q11 to 3Q12 - R\$ mn



# Expansion of consolidated net income in the year



- ✓ Result shows growth consistent with solid fundamentals
  - Continuous improvement in operational margins
  - Diversification of the risk inherent to each business through integrated structure

Statement of Results	3Q12	3Q11	Ch%	9M12	9M11	Ch%
Net Revenue	4.810	4.036	19	13.372	11.430	17
Operating Expenses	3.545	2.795	27	9.716	8.137	19
<b>EBIT</b>	<b>1.265</b>	<b>1.241</b>	<b>2</b>	<b>3.656</b>	<b>3.293</b>	<b>11</b>
Profit on issuance of shares	259	-	-	259	-	-
<b>EBITDA</b>	<b>1.753</b>	<b>1.490</b>	<b>18</b>	<b>4.368</b>	<b>4.018</b>	<b>9</b>
Financial Result	(240)	(272)	(12)	(806)	(766)	5
Provision for Income Taxes, Social Cont & Deferred Income Tax	(347)	(312)	11	(937)	(821)	14
<b>Net Income</b>	<b>937</b>	<b>657</b>	<b>43</b>	<b>2.172</b>	<b>1.706</b>	<b>27</b>

CEMIG D Market				
Quarter	(GWh)			GW
	Captive Consumers	TUSD ENERGY1	T.E.D2	TUSD PICK3
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
2Q11	5.969	5.127	11.096	26
3Q11	6.166	5.274	11.441	24
4Q11	6.093	5.149	11.242	26
1ºQ12	5.970	4.902	10.871	26
2ºQ12	6.114	5.020	11.134	27
3ºQ12	6.193	5.114	11.307	27

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").

Operating Revenues	3Q12	3Q11	Ch%	9M12	9M11	Ch%
Sales to end consumers	2.718.796	2.553.332	6	7.979.376	7.261.473	10
TUSD	470.951	458.356	3	1.396.221	1.351.554	3
Revenues from construction	438.373	167.184	162	980.799	739.349	33
Others	51.914	44.397	17	205.100	155.348	32
<b>Subtotal</b>	<b>3.680.034</b>	<b>3.223.269</b>	<b>14</b>	<b>10.561.496</b>	<b>9.507.724</b>	<b>11</b>
Deductions	(1.170.414)	(1.181.796)	(1)	(3.579.989)	(3.383.847)	6
<b>Net Revenues</b>	<b>2.509.620</b>	<b>2.041.473</b>	<b>23</b>	<b>6.981.507</b>	<b>6.123.877</b>	<b>14</b>

# Cemig Geração e Transmissão



Statement of Results	3Q12	3Q11	Ch%	9M12	9M11	Ch%
Net Revenue	1.480.602	1.297.129	14%	3.931.244	3.351.586	0
Operating Expenses	579.759	518.238	12%	1.625.133	1.474.488	0
<b>EBIT</b>	<b>900.843</b>	<b>778.891</b>	<b>16%</b>	<b>2.306.111</b>	<b>1.877.098</b>	<b>0</b>
Gain on issuance of shares	253.538	-	-	253.538	-	-
<b>EBITDA</b>	<b>1.233.702</b>	<b>871.828</b>	<b>42%</b>	<b>2.818.198</b>	<b>2.154.204</b>	<b>0</b>
Equity gain (loss) in subsidiaries	(743)	-	-	(2.201)	-	-
Financial Result	(154.598)	(154.912)	0%	(487.944)	(486.404)	0
Provision for Income Taxes, Social Cont & Deferred Income Tax	(257.691)	(146.499)	76%	(607.802)	(401.542)	1
<b>Net Income</b>	<b>741.349</b>	<b>477.480</b>	<b>55%</b>	<b>1.461.702</b>	<b>989.152</b>	<b>48</b>

Operating Expenses	3Q12	3Q11	Ch%	9M12	9M11	Ch%
Personnel/Administrators/Councillors	77.824	70.597	10	236.187	215.575	10
Employee Participation	14.387	11.244	28	43.819	16.337	168
Forluz – Post-Retirement Employee Benefits	7.498	6.946	8	22.494	20.838	8
Materials	11.718	3.987	194	19.765	13.411	47
Contracted Services	41.983	35.645	18	132.050	101.310	30
Depreciation and Amortization	80.064	92.937	(14)	260.750	277.106	(6)
Royalties	43.056	37.334	15	134.914	107.768	25
Operating Provisions	(3.397)	6.912	-	3.267	8.637	-
Charges for Use of Basic Transmission Network	31.708	22.602	40	198.853	179.159	11
Purchased Energy	186.792	147.609	27	429.297	428.971	0
Construction Cost	67.896	64.301	6	77.385	50.784	52
Other Expenses	20.230	18.124	12	66.352	54.592	22
<b>Total</b>	<b>579.759</b>	<b>518.238</b>	<b>12</b>	<b>1.625.133</b>	<b>1.474.488</b>	<b>10</b>

# Agenda

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

# Market Recognition



Included in the DJSI for the 11th year running.



Prêmio Anefac  
Transparency Trophy, 2011.



Best analyst meeting



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.



37th Apimec Award



Included in Bovespa Corporate Sustainability Index.



- Regulatory Framework
- Others



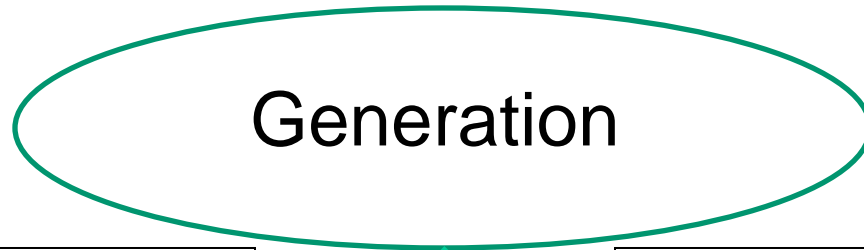
# Power Generators are the most exposed to risks

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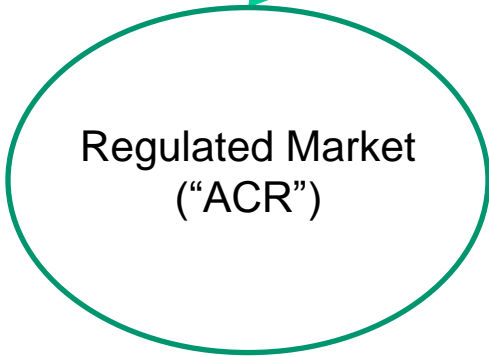
- Regulated market
  - Concessions granted based on the least price approach.
  - Power purchase contract:
    - Auctions organized by a Federal agency:
      - Final buyer : Electricity Distributors.
    - New capacity : longer term, no market risk, inflation adjusted;
    - Existing capacity: shorter term, volume reduction at the distributor discretion, inflation adjusted.
- Unregulated market (free market)
  - Target: large industrial clients, large businesses;
  - Price freely negotiated: conditions , term, inflation adjustment;
  - Usually take or pay contracts.

- 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.



- Wholesale prices resulting from auctions

- Freely negotiated wholesale prices



Distribution Companies

Free Consumers  
Special Consumers  
Traders  
Generators

Co-existence of two markets: competitive, and regulated

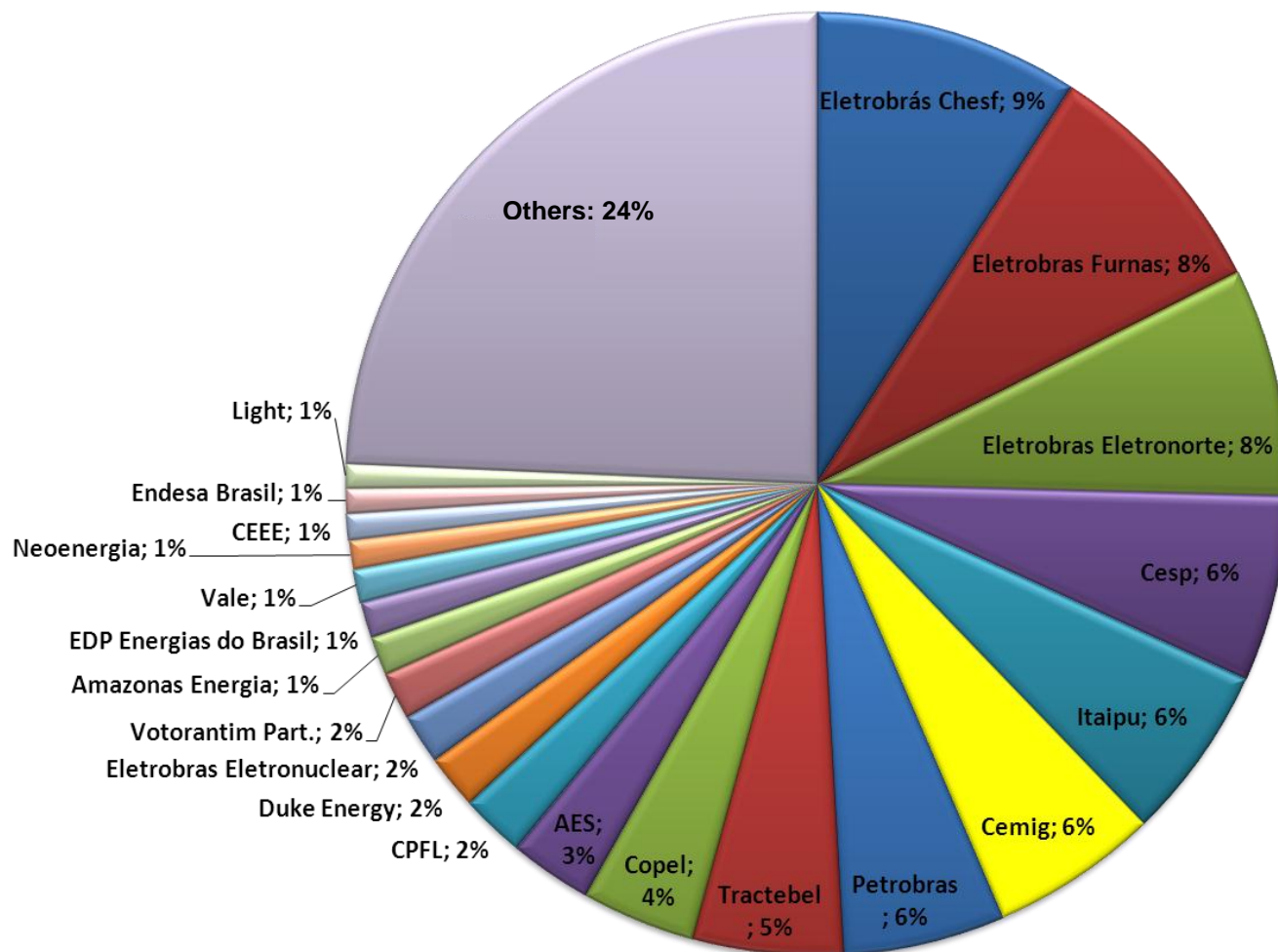
# Types of contracting in the Regulated Market



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

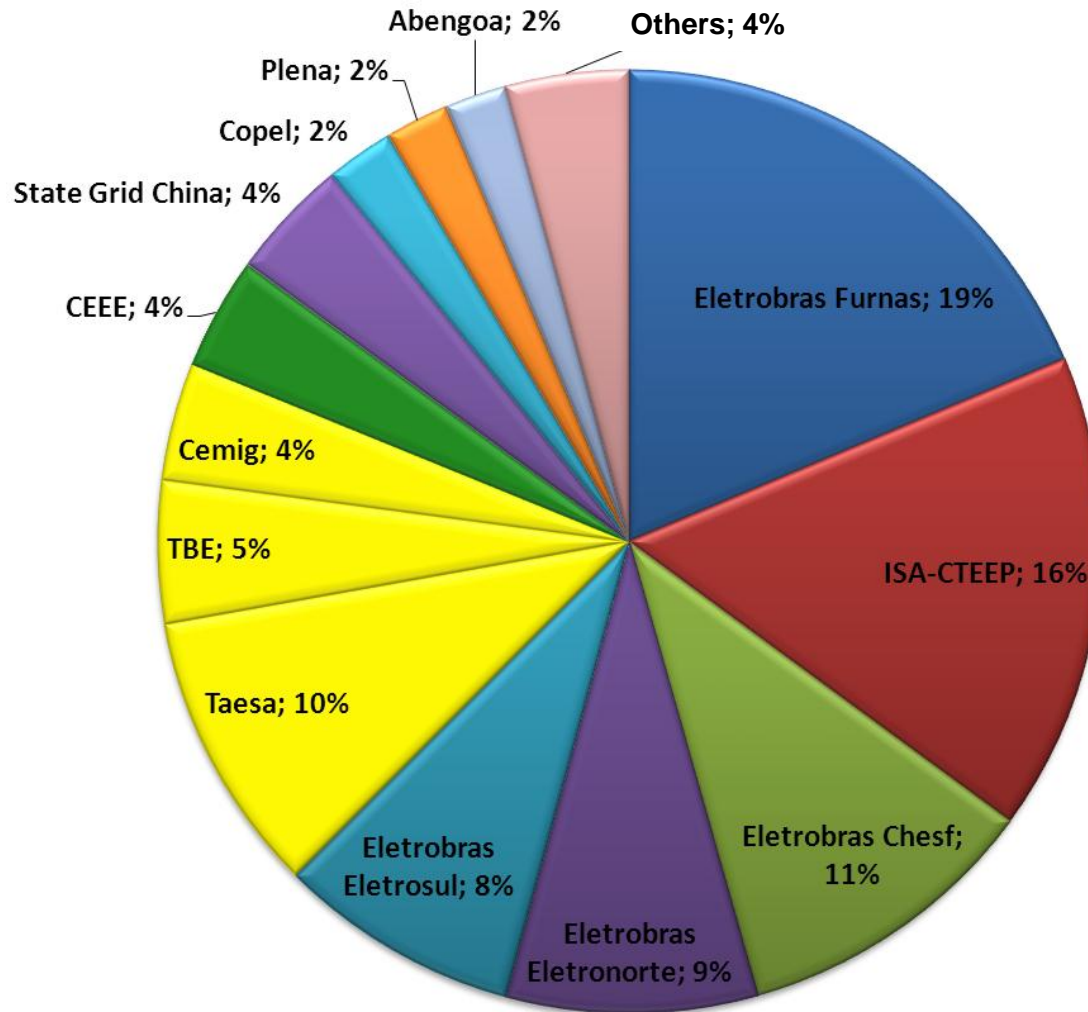
- ❖ Objective: To further increase the security of the System by diversifying supply sources
- ❖ Energy sources: So far specific auctions for Small Hydro Plants (“PCHs”) and plants generating from wind energy and biomass.
- ❖ Contract periods:
  - Hydro: 30 years
  - Biomass: 15 years
  - Wind: 20 years

# Brazilian generation market – 2011 (% of total installed capacity)



Brazil's installed capacity: 116,657MW (December, 2011)

# Brazilian transmission market – 2011 (% of Permitted Annual Revenue (RAP))



Total Permitted Annual Revenue : R\$ 12.6 billion (11/07 to 12/06)



# Transmission regulation is the most successful one

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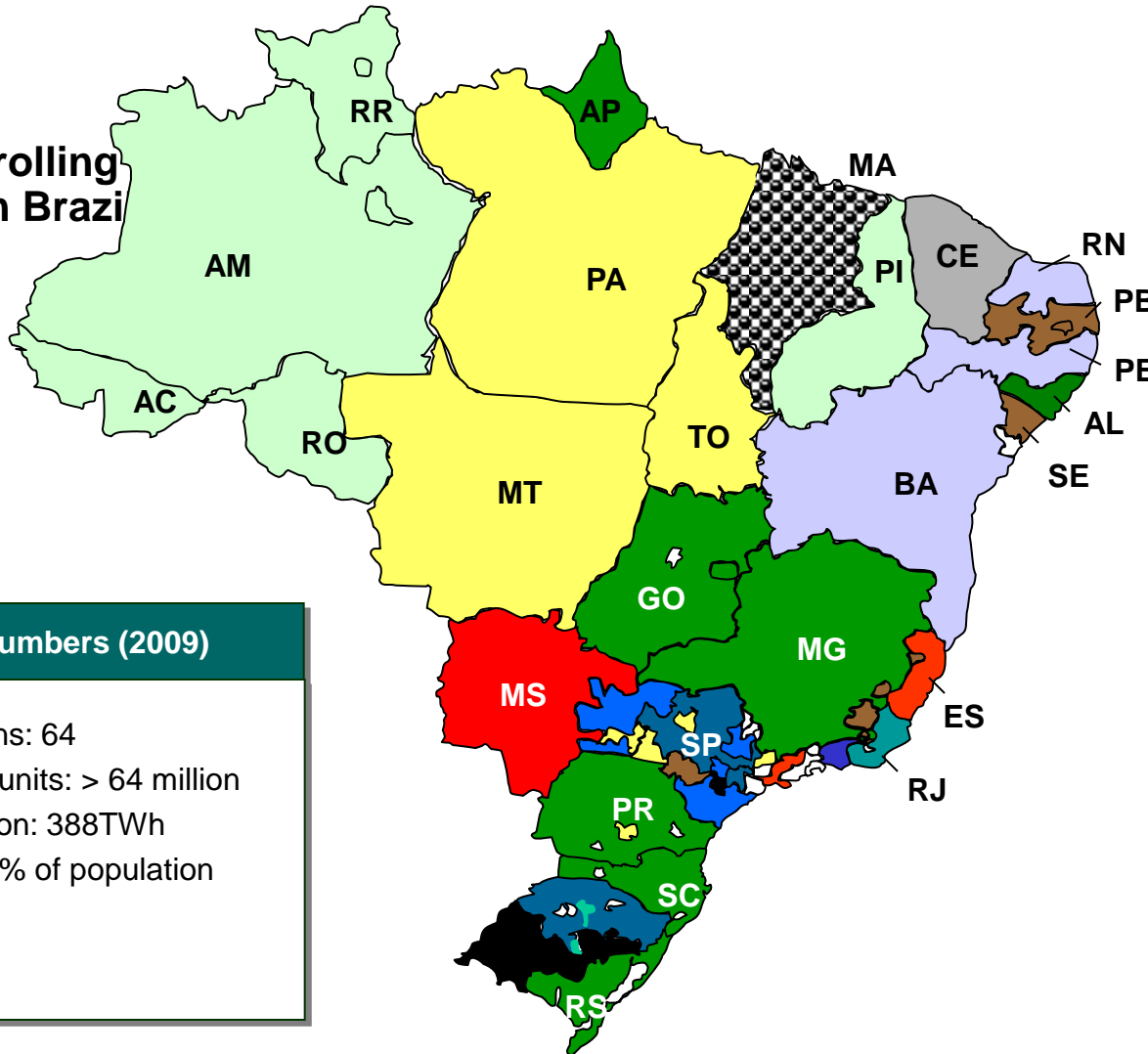
- Competition for concession contract:
  - Cap price approach: annual permitted revenue;
  - Allowed revenue: the winner bid is the lowest revenue earned from users;
  - 30-year long concession.
- Stable Cash flow
  - Guaranteed contracts signed with users:
    - Receivables pledged as guarantees;
    - 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.

- 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



Main controlling groups in Brazil



- AES
- Ashmore Energy
- Energisa (Cat-Leo)
- Endesa
- EDP
- State-owned, Federal
- State-owned, Indiv. State
- Grupo Rede
- Equatorial Energia
- NeoEnergia
- CPFL
- Light (\*)
- Other



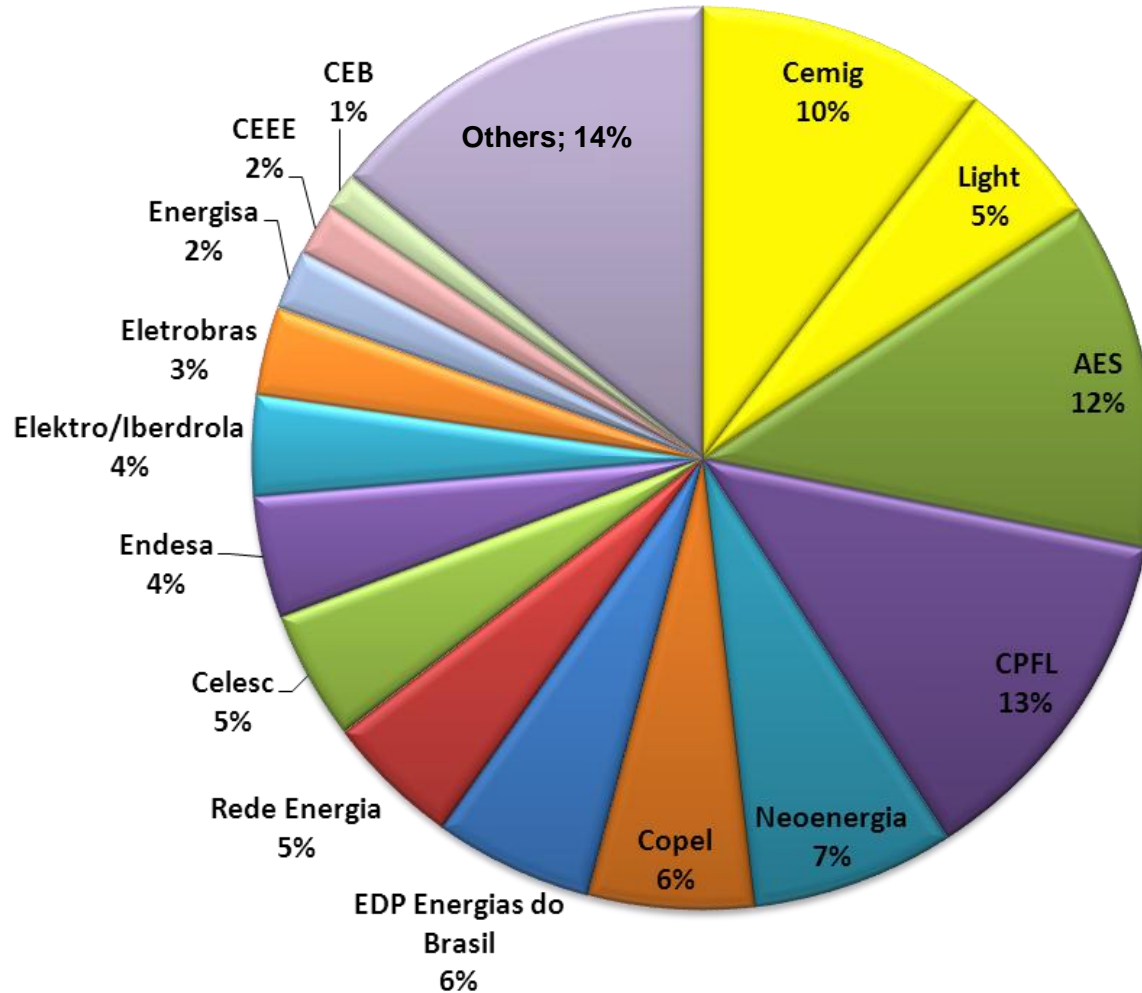
**Brazil Numbers (2009)**

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

(\*) Cemig has 26,06% stake

Source: Aneel, EPE

# Brazilian distribution market – 2011 % of all electricity distributed to free and captive clients in Brazil)



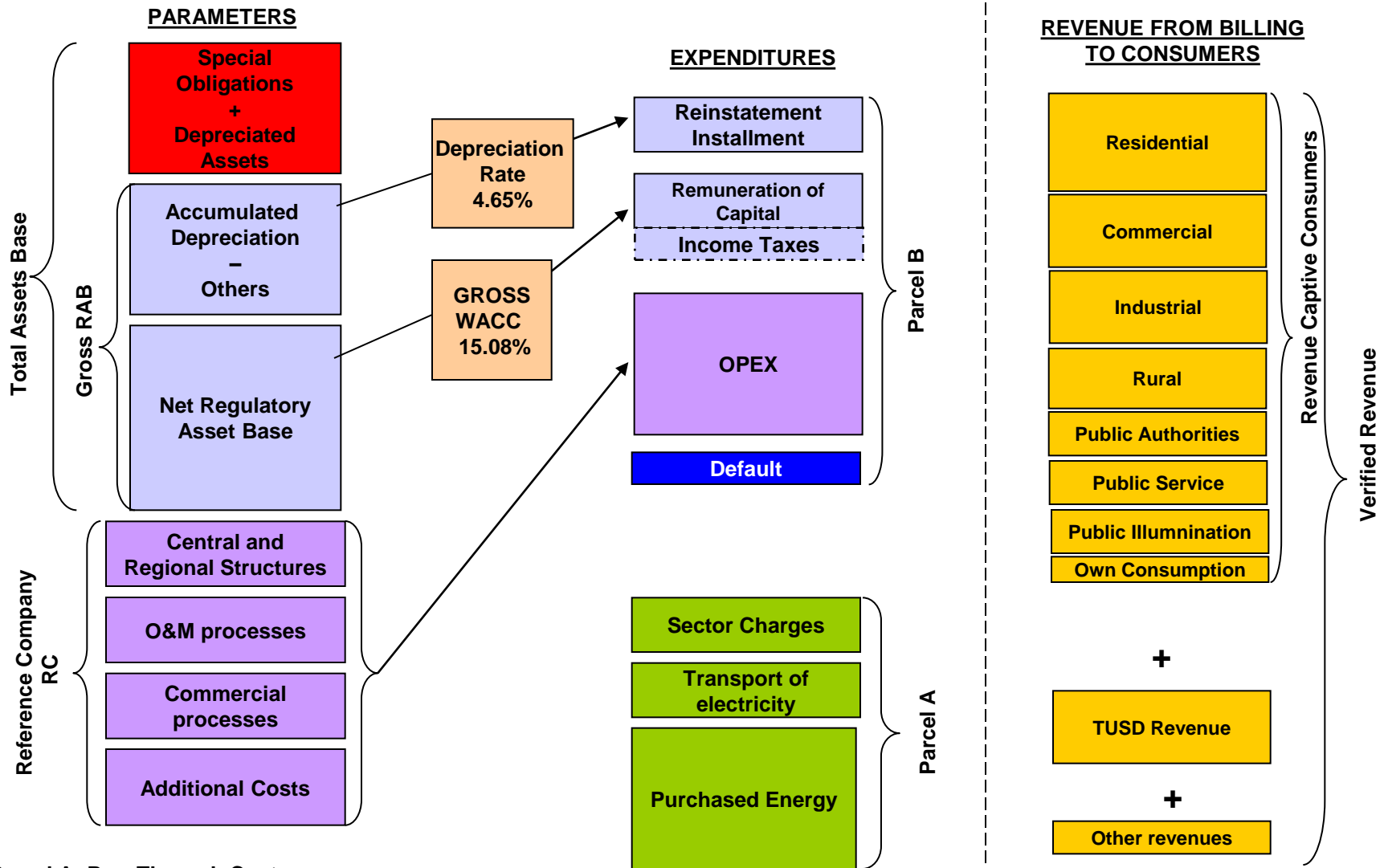
Total: 430,106 GWh

# 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

# Financial Statements Separated by Company



## DEMONSTRAÇÕES SEGREGADAS POR EMPRESA EM 30 DE SETEMBRO DE 2012

DESCRIÇÃO	HOLDING	CEMIG - GT	CEMIG-D	LIGHT	ETEP, ENTE, ERTE, EATE, ECTE	GASMIG	CEMIG TELECOM	SÁ CARVALHO	ROSAL	OUTRAS	ELIMINAÇÕES / TRANSFERÊNCIAS	TOTAL
<b>ATIVO</b>	<b>16.012.281</b>	<b>16.265.199</b>	<b>11.818.850</b>	<b>2.956.855</b>	<b>1.362.149</b>	<b>915.654</b>	<b>468.210</b>	<b>178.752</b>	<b>148.940</b>	<b>1.565.839</b>	<b>(12.470.072)</b>	<b>39.222.657</b>
Caixa e Equivalentes de Caixa	128.210	1.016.930	713.770	304.105	23.950	33.528	133.658	5.431	3.425	175.773	-	2.538.780
Contas a Receber	-	667.333	1.979.618	435.267	36.905	179.700	-	5.333	3.693	128.247	(176.969)	3.259.127
Títulos e Valores Mobiliários - Aplic. Financeira	199.195	1.900.350	112.214	4.037	-	11.695	-	13.178	9.326	91.156	-	2.341.151
Tributos	537.856	178.079	1.098.657	184.458	-	55.192	35.724	500	58	81.816	-	2.172.340
Outros Ativos	2.097.489	343.605	1.425.335	159.542	69.126	37.870	37.119	4.036	359	88.324	(53.478)	4.209.327
Investimentos/Imob/Intangível/Financeiro de Concessão	13.049.531	12.158.902	6.489.256	1.869.446	1.232.168	597.669	261.709	150.274	132.079	1.000.523	(12.239.625)	24.701.932
<b>PASSIVO</b>	<b>16.012.281</b>	<b>16.265.199</b>	<b>11.818.850</b>	<b>2.956.855</b>	<b>1.362.149</b>	<b>915.654</b>	<b>468.210</b>	<b>178.752</b>	<b>148.940</b>	<b>1.565.839</b>	<b>(12.470.072)</b>	<b>39.222.657</b>
Fornecedores e suprimentos	4.867	249.051	929.780	192.309	16.915	51.724	8.548	671	2.278	57.596	(60.931)	1.452.808
Empréstimo, Financiamento e Debêntures	1.087.591	8.243.626	4.326.696	1.254.635	366.305	119.550	141.253	-	-	390.353	682.936	16.612.945
Juros sobre Capital Próprio e Dividendos	674.424	138.146	352.781	63.118	10.685	33.480	-	8.290	6.753	62.406	(707.379)	642.704
Obrigações Pós-Emprego	103.298	442.362	1.405.255	284.025	-	-	-	-	-	69.861	-	2.304.801
Tributos	22.432	656.446	1.008.645	36.776	152.103	21.209	17.597	43.341	1.171	67.294	-	2.027.014
Outros Passivos	284.766	593.697	973.484	276.118	41.726	198.384	13.792	2.794	1.960	101.195	(140.434)	2.347.482
Patrimônio Líquido	13.834.903	5.941.871	2.822.209	849.874	774.415	491.307	287.020	123.656	136.778	817.134	(12.244.264)	13.834.903
<b>RESULTADO</b>												
<b>Receita Operacional Líquida</b>	<b>264</b>	<b>3.931.244</b>	<b>6.981.507</b>	<b>1.420.506</b>	<b>239.086</b>	<b>434.975</b>	<b>101.679</b>	<b>42.063</b>	<b>29.782</b>	<b>549.026</b>	<b>(357.664)</b>	<b>13.372.468</b>
<b>Custos e Despesas Operacionais</b>	<b>(77.617)</b>	<b>(1.625.133)</b>	<b>(6.158.426)</b>	<b>(1.231.533)</b>	<b>(37.479)</b>	<b>(392.785)</b>	<b>(86.742)</b>	<b>(10.110)</b>	<b>(14.531)</b>	<b>(439.605)</b>	<b>357.664</b>	<b>(9.716.297)</b>
Energia Elétrica Comprada para Revenda	-	(429.297)	(2.800.406)	(825.551)	-	-	-	(310)	(3.916)	(208.516)	156.403	(4.111.593)
Encargos de Uso da Rede Básica de Transmissão	-	(198.853)	(594.585)	-	-	-	-	-	(1.907)	(2.933)	174.475	(623.803)
Gás Comprado para Revenda	-	-	-	-	-	(356.028)	-	-	-	-	-	(356.028)
Custo de construção	-	(77.385)	(980.799)	(122.496)	(15.338)	-	-	-	-	(31.514)	-	(1.227.532)
Pessoal	(32.784)	(236.187)	(569.822)	(57.814)	(7.934)	(13.230)	(27.177)	(1.041)	(1.116)	(25.713)	-	(972.818)
Participações dos Empregados no Resultado	(13.288)	(43.819)	(117.521)	-	-	-	(1.630)	(196)	(136)	(904)	-	(177.494)
Obrigações Pós-Emprego	(7.583)	(22.494)	(70.416)	-	-	-	-	-	-	-	-	(100.493)
Materiais	(93)	(13.725)	(34.954)	(4.353)	563	(800)	(131)	(173)	(255)	(2.260)	-	(56.181)
Serviços de Terceiros	(8.895)	(132.050)	(499.535)	(79.565)	(10.981)	(5.569)	(16.549)	(1.905)	(2.576)	(44.467)	24.326	(777.766)
Comp. Financ. pela Utilização de Recursos Hídricos	-	(134.914)	-	-	-	-	-	(1.652)	(883)	(2.587)	-	(140.036)
Depreciação e Amortização	(279)	(260.750)	(278.209)	(67.919)	(1.465)	(17.786)	(27.438)	(4.136)	(3.178)	(50.792)	-	(711.952)
Provisões Operacionais	8.817	(3.267)	(66.384)	(58.472)	-	2.862	(10)	(1)	(1)	(14.052)	-	(130.508)
Outras Despesas Líquidas	(23.512)	(72.392)	(145.795)	(15.363)	(2.324)	(2.234)	(13.807)	(696)	(563)	(55.867)	2.460	(330.093)
<b>Resultado Operac. antes do Res. de Equiv. Patrim. e Financeiro</b>	<b>(77.353)</b>	<b>2.306.111</b>	<b>823.081</b>	<b>188.973</b>	<b>201.607</b>	<b>42.190</b>	<b>14.937</b>	<b>31.953</b>	<b>15.251</b>	<b>109.421</b>	<b>-</b>	<b>3.656.171</b>
Ganho na diluição de participação em controladas em conjunto	-	253.538	-	4.147	-	-	-	-	-	1.020	-	258.705
Resultado de Equivalência Patrimonial	2.228.782	(2.201)	-	(225)	(266)	(4.336)	-	-	-	(57)	(2.224.179)	(2.482)
Receita Financeira	98.793	191.683	227.381	33.535	3.126	27.922	8.243	872	880	79.113	-	671.548
Despesa Financeira	(84.590)	(679.627)	(433.250)	(127.964)	(32.040)	(9.480)	(10.177)	(374)	(74)	(97.971)	-	(1.475.547)
<b>Resultado antes do IR e CSLL</b>	<b>2.165.632</b>	<b>2.069.504</b>	<b>617.212</b>	<b>98.466</b>	<b>172.427</b>	<b>56.296</b>	<b>13.003</b>	<b>32.451</b>	<b>16.057</b>	<b>91.526</b>	<b>(2.224.179)</b>	<b>3.108.395</b>
Imposto de Renda e Contribuição Social	-	(596.395)	(372.797)	(24.293)	(30.287)	(19.106)	(7.171)	(11.850)	(1.244)	(30.992)	-	(1.094.135)
Imposto de Renda e Contribuição Social Diferidos	7.119	(11.407)	164.896	2.008	2.172	-	(1.909)	871	(27)	(5.232)	-	158.491
<b>Resultado do Período</b>	<b>2.172.751</b>	<b>1.461.702</b>	<b>409.311</b>	<b>76.181</b>	<b>144.312</b>	<b>37.190</b>	<b>3.923</b>	<b>21.472</b>	<b>14.786</b>	<b>55.302</b>	<b>(2.224.179)</b>	<b>2.172.751</b>



- Regulatory Framework
- Others

- 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.

- 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.
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- 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.
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- 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.
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- 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.
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- 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).
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- 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.

## Investor Relations

Telefone: (55-31) 3506-5024

Fax: (55-31) 3506-5025

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

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



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