



A Melhor Energia do Brasil.

# Successful Strategy

Performance reflects balanced portfolio structure

March, 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\$  
9,9<sup>(1)</sup> B.

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

Role in  
industry

**Leading  
consolidator**

In the Power Industry since 1952

(1) As of March 01<sup>st</sup> 2013

(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

Electricity Distribution lines

510,744 km

Power Transmission lines

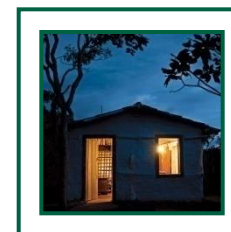
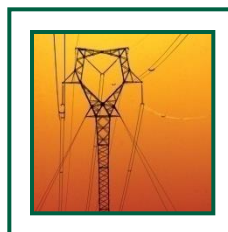
10,060 km



# 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 40 countries
  - Average Daily Trading Volume in 2012:
    - R\$80M in Bovespa
    - US\$55M 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



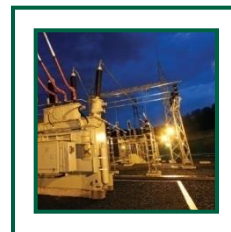
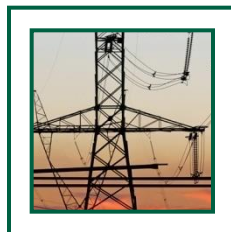
# The Cemig Story – Agenda



The positioning

The performance

The growth



# Cemig is Uniquely Positioned

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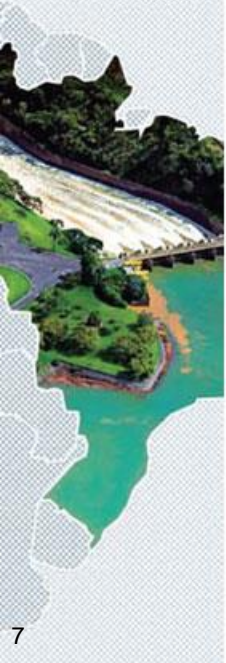
1 The Brazil advantage

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 2012

US\$2.2 Trillion

GDP growth 2013\*

3.1%

Population

192M

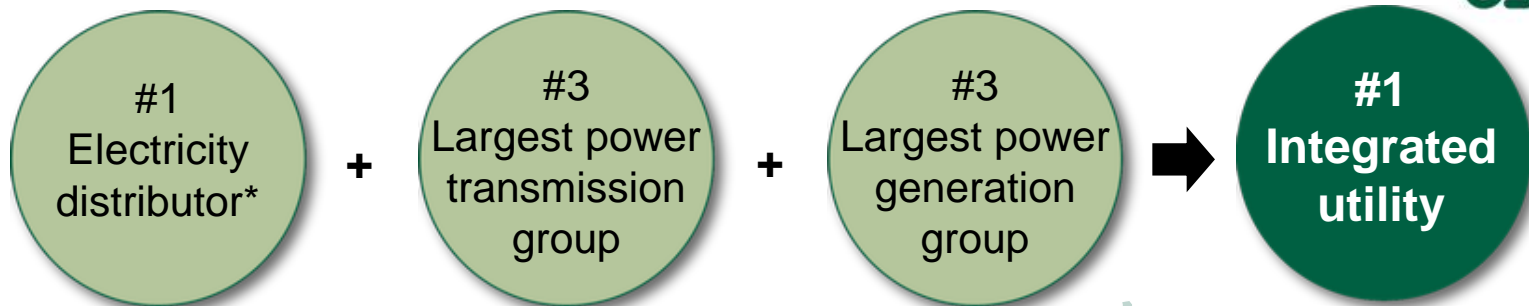
Investment grade by Moody's, Fitch and S&P











\* Focus Report of Brazil's Central Bank in 1<sup>st</sup> March 2013

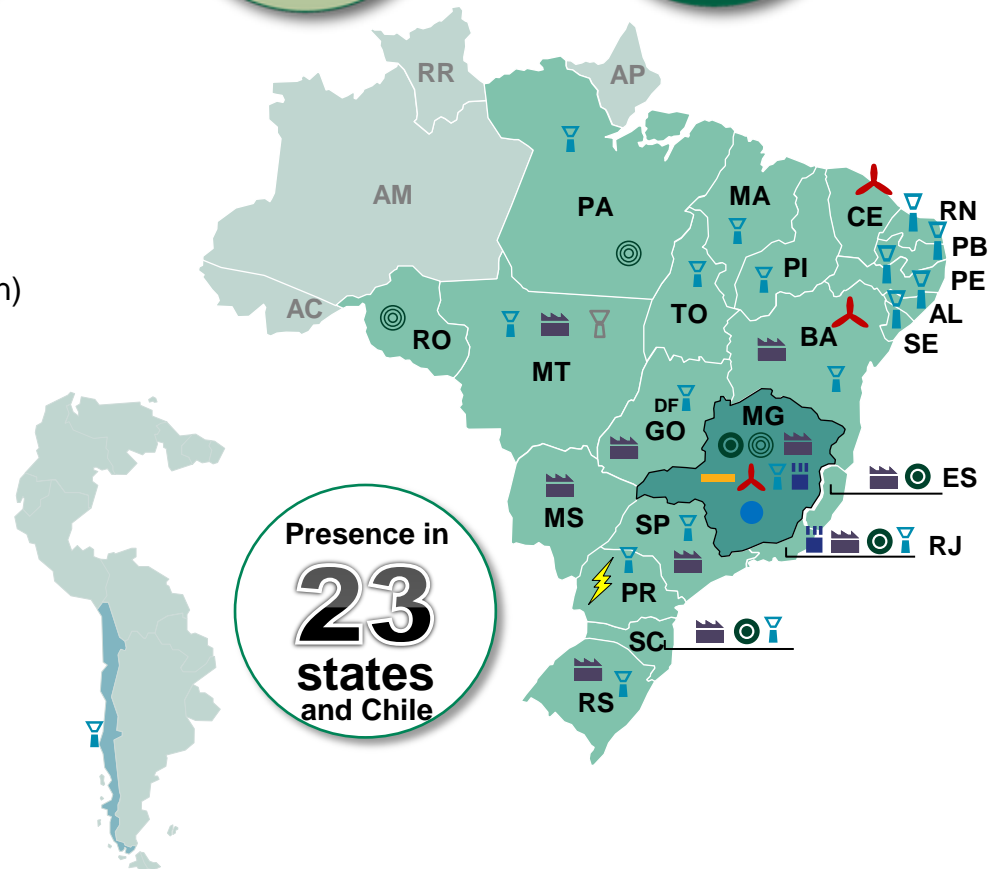




# Largest Integrated Utility in Brazil



-  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

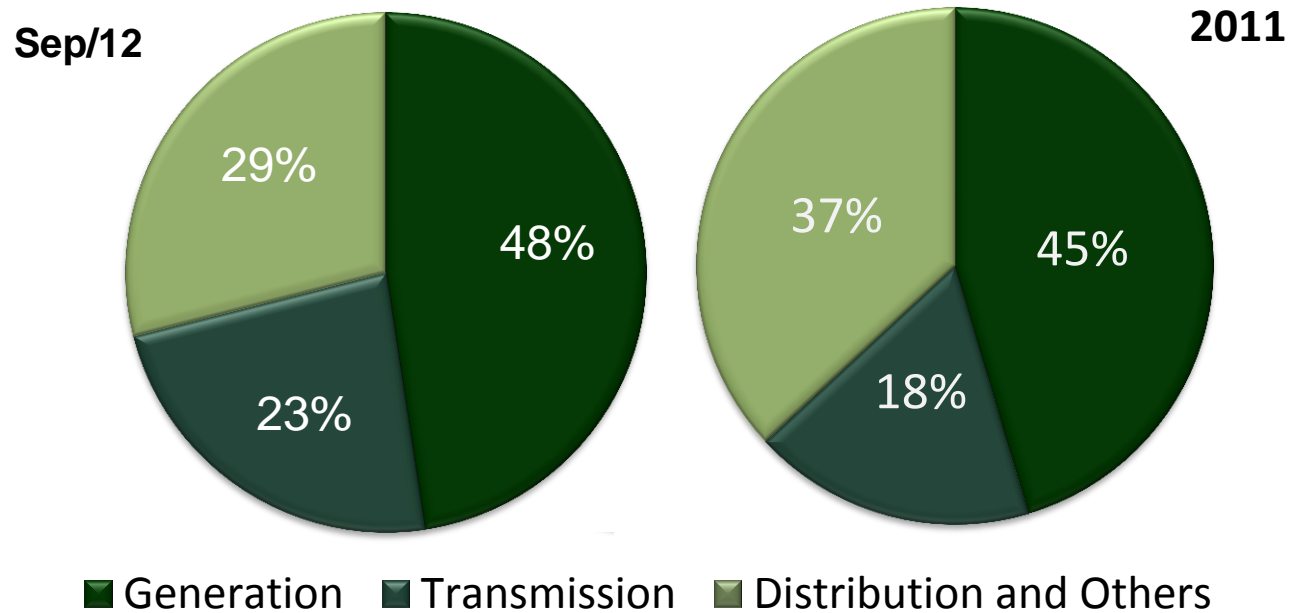


\* in terms of length of electricity distribution lines

# Diversified, Low Risk Business Portfolio



## Breakdown of EBITDA



Majority of revenues is inflation protected

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

# Integrated, Low Risk Business Portfolio



## Generation

7.1 GW of installed capacity

- 3<sup>rd</sup> largest generator
- Free and regulated business settings
- Cemig GT and its subsidiaries
- Market Share – 7%

## Free Market

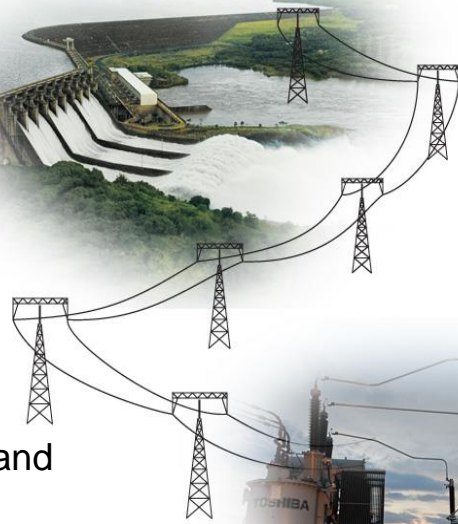
23% market share



## Transmission

10,060 Km

- System used by generators, distributors and free consumers
- 3<sup>rd</sup> largest transmission group
- Cemig GT, TAESA and TBE
- Market Share – 13%



## Distribution

487,076 Km

- Largest distribution group
- Cemig D and Light
- Lack of competition
- Market Share – 12%

## Retail

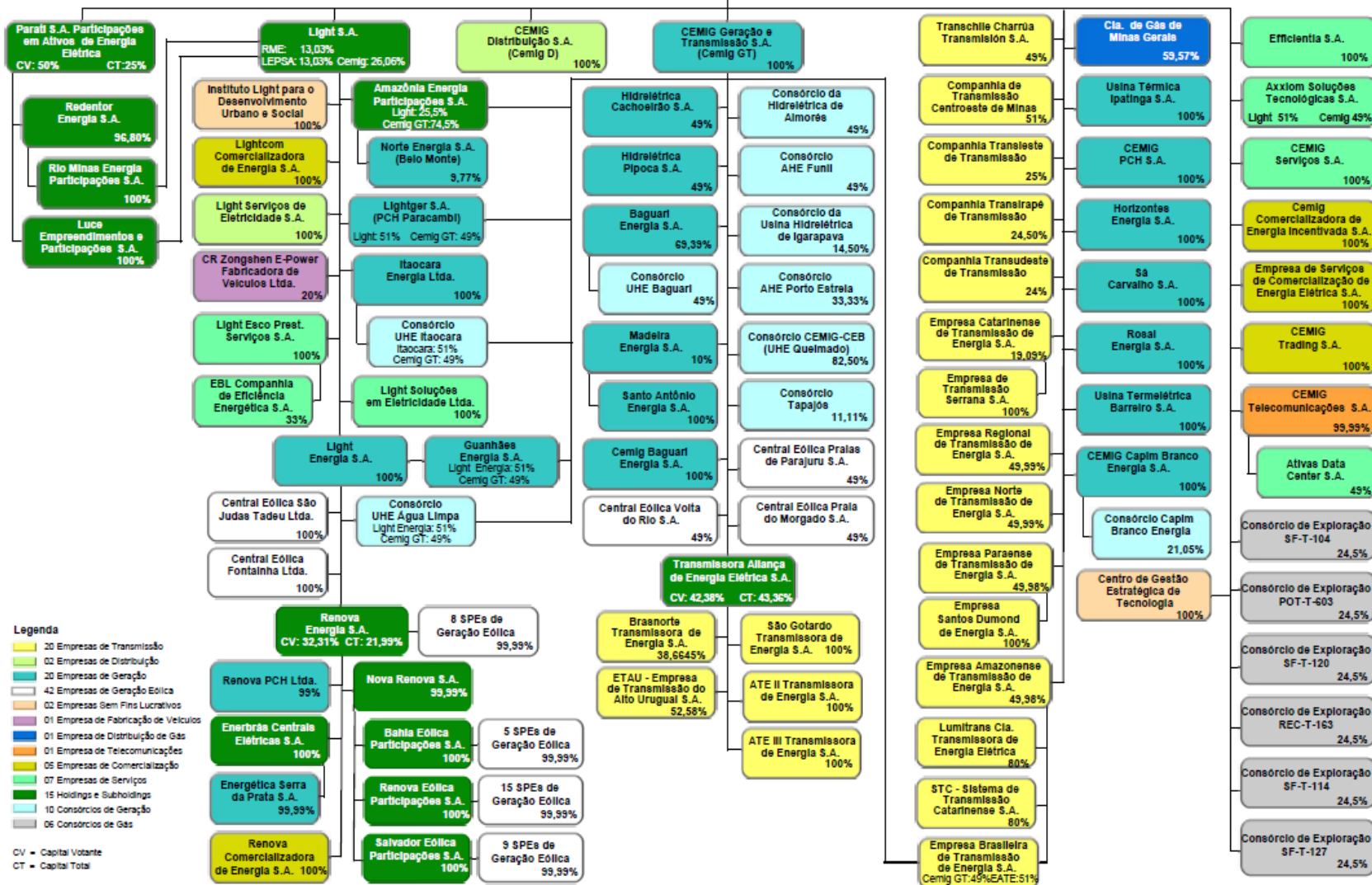


# Integrated, Low Risk Business Portfolio



Cemig Group  
116 Companies - 16 Consortias

As of February 28th, 2013



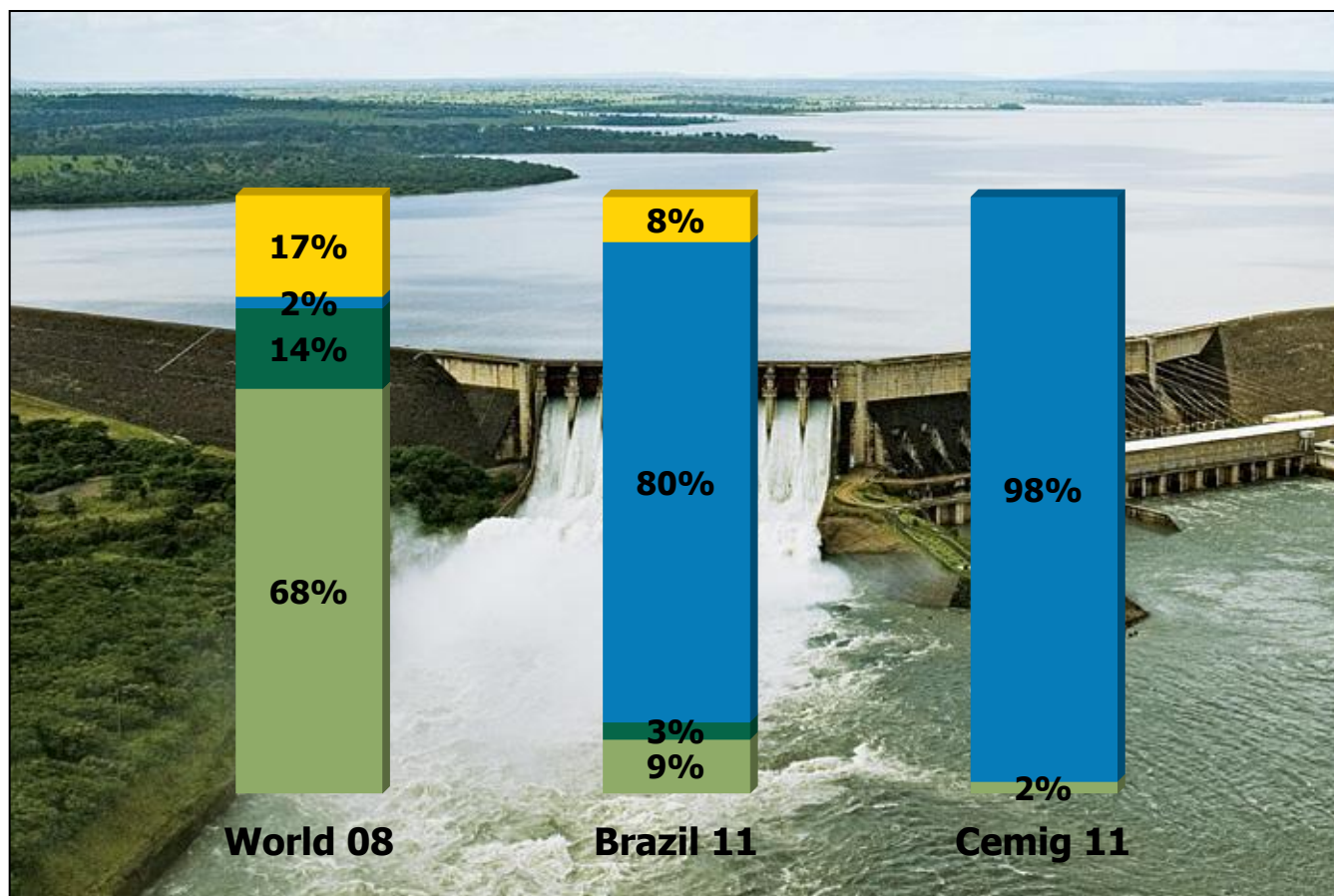
- Legenda**
- 20 Empresas de Transmissão
  - 02 Empresas de Distribuição
  - 20 Empresas de Geração
  - 42 Empresas de Geração Eólica
  - 02 Empresas Sem Fins Lucrativos
  - 01 Empresa de Fabricação de Veículos
  - 01 Empresa de Distribuição de Gás
  - 01 Empresa de Telecomunicações
  - 06 Empresas de Comercialização
  - 07 Empresas de Serviços
  - 15 Holdings e Subholdings
  - 10 Consortérios de Geração
  - 06 Consortérios de Gás

CV - Capital Variante  
CT - Capital Total

# 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
  - 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



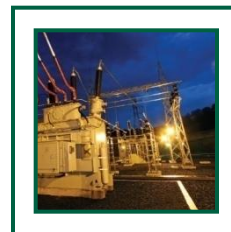
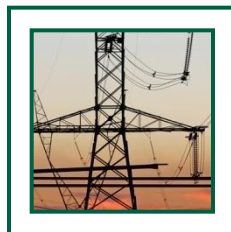
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The positioning

The performance

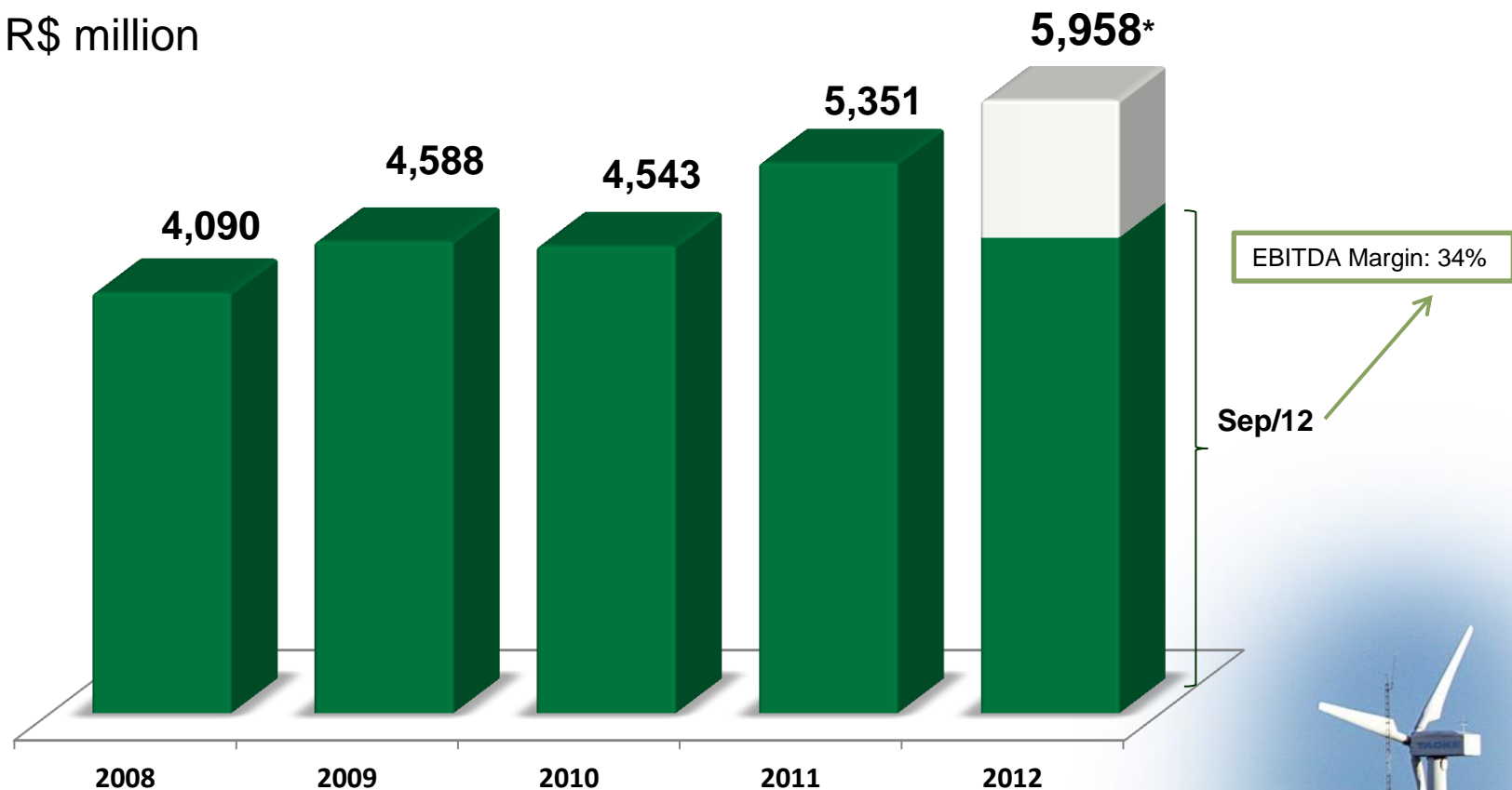
The growth



# Growth in EBITDA



R\$ million



(\* Last 12 months' Ebitda)

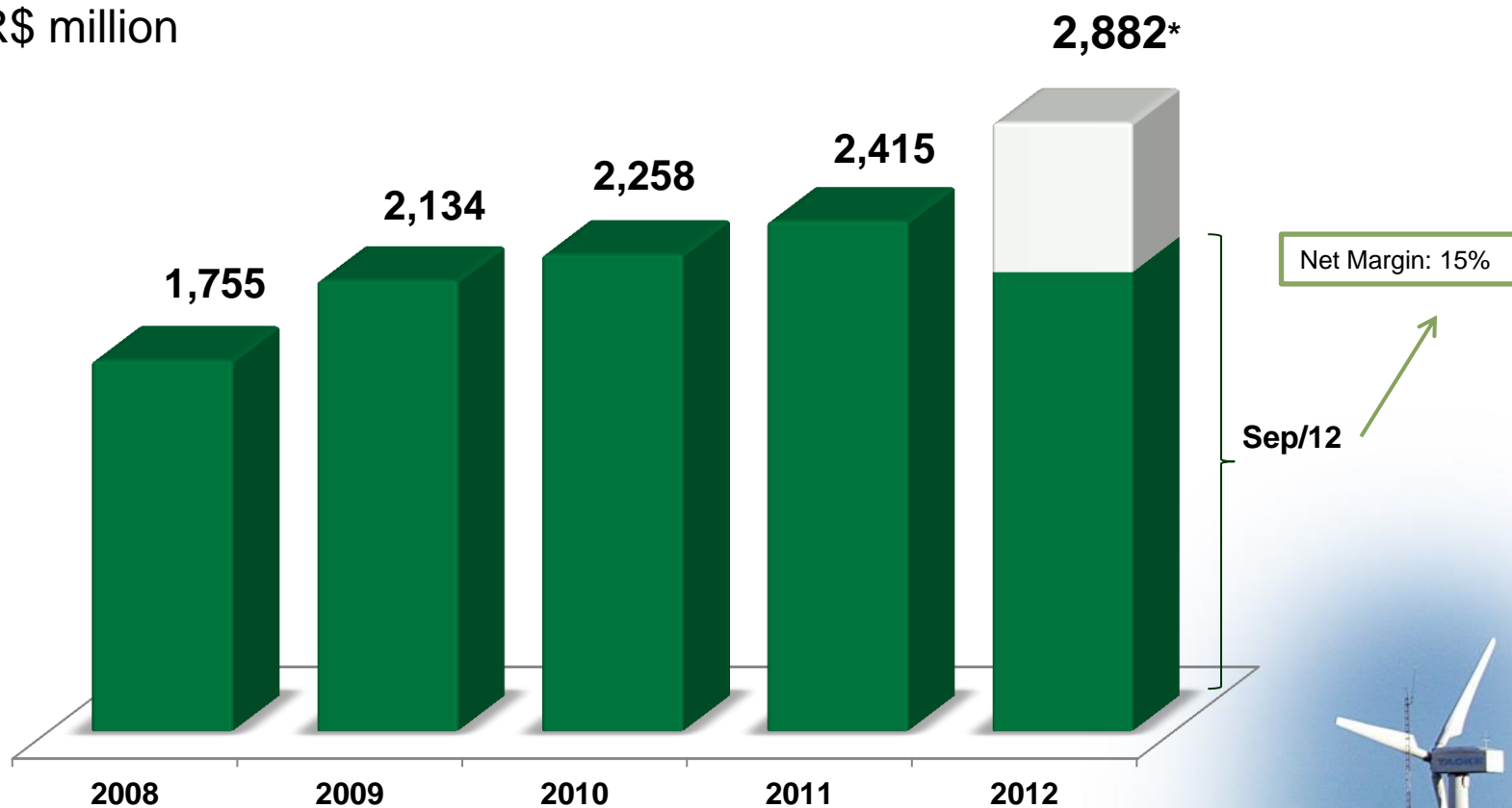




# Net Income Continues to Expand



R\$ million



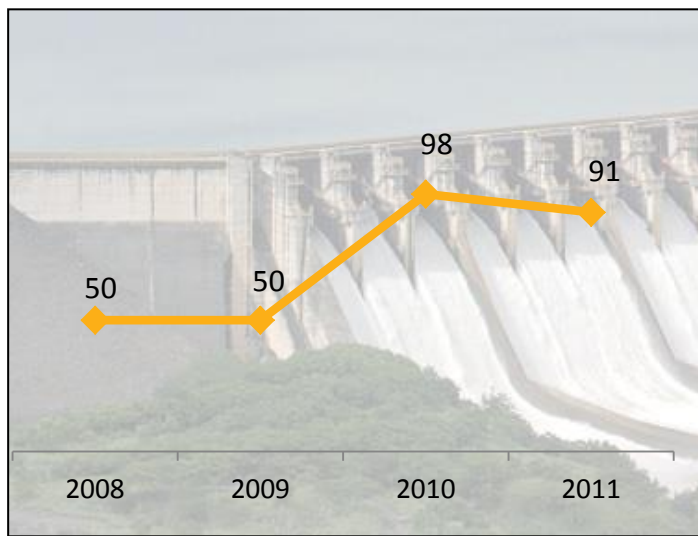
(\* Last 12 months' Net Income)



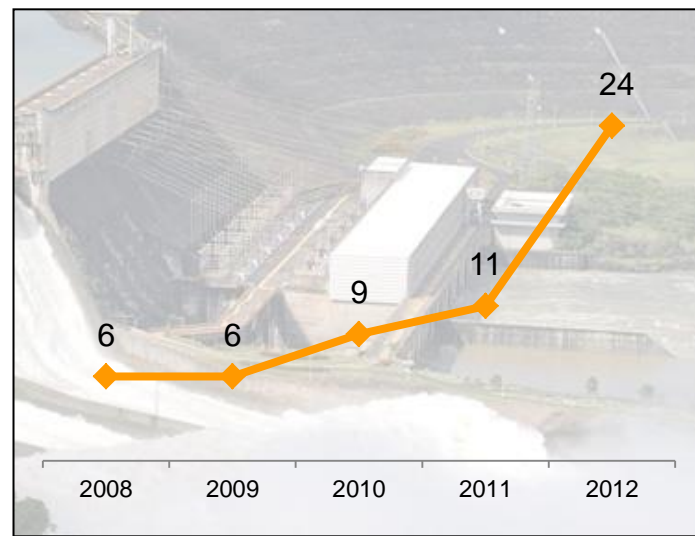
# Attractive and Secure Dividend Payout <sup>(1)</sup>



Dividend Payout  
(% of Net Income)



Dividend Yield (%)\*  
Preferred shares



\* Considering Interest on Equity for the 2012 business year

➤ 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

**2X**

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

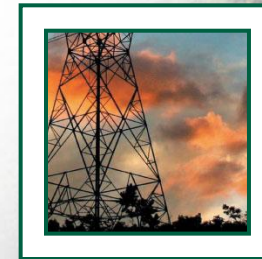
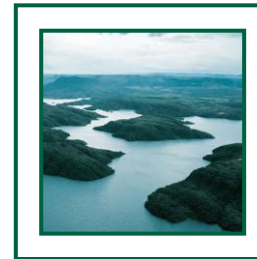
**3%**

Cash on hand 3Q12

**R\$4.7B**

Net Revenue 3Q12

**R\$ 4.8B**

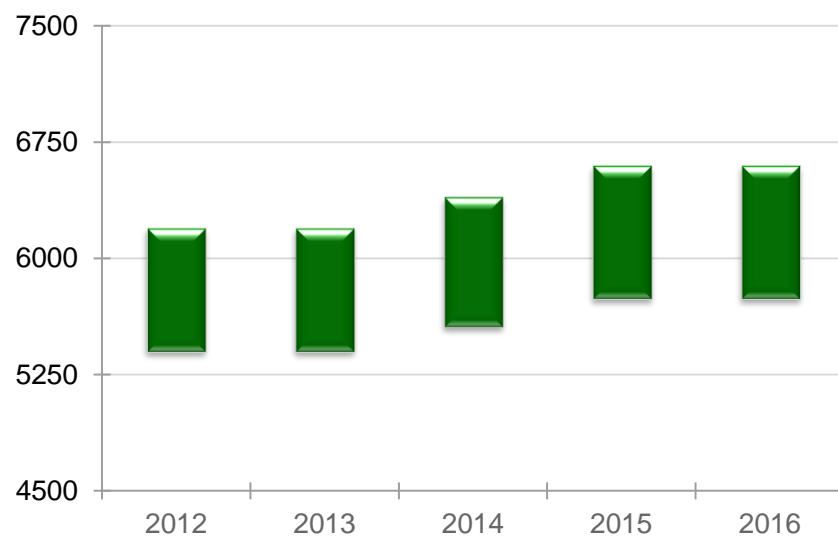


\*Net of financial hedging

# 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

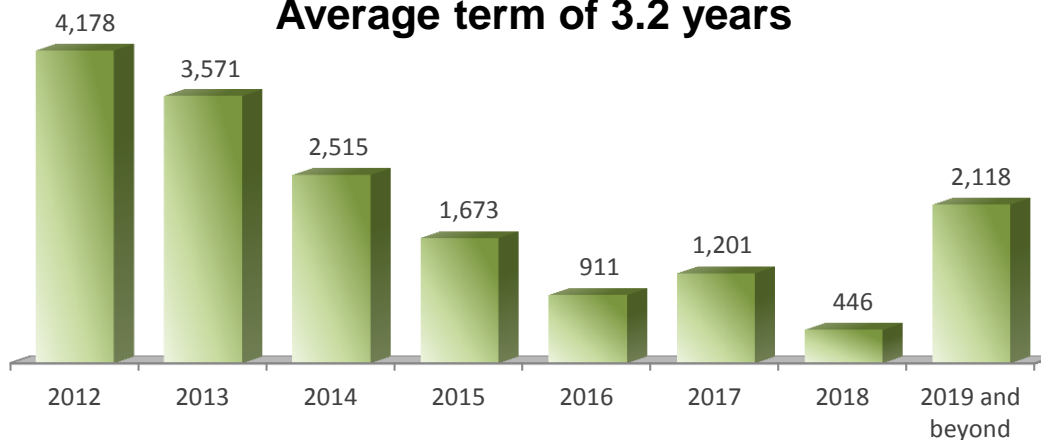
(1) Constant currency as of June 2012.

# Debt Structure - Cemig



## Debt Amortization Schedule (R\$ million)

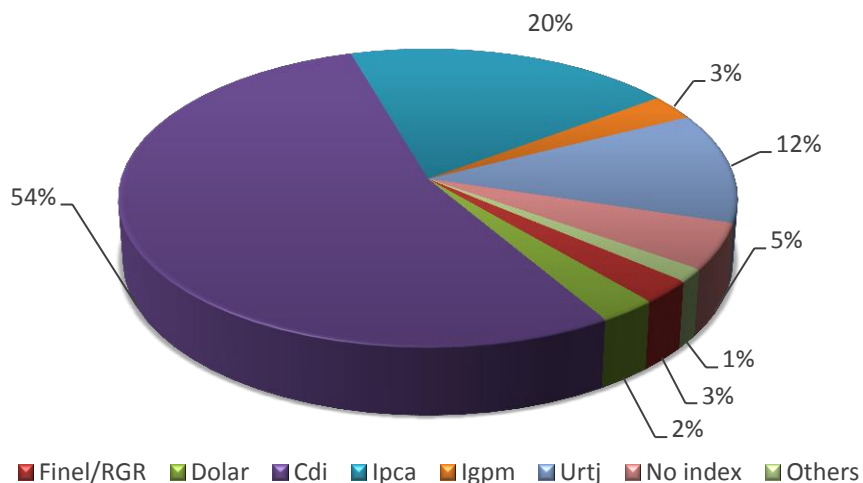
Average term of 3.2 years



Debt as of Sep/2012:

R\$ 16,612 million

## Debt Profile



Indices	Sep/2012
EBITDA/Interests	4.77
Net Debt./EBITDA	2.00
Net Debt/Capitalization	46,3%
Cost of Debt	5.42%p.a.

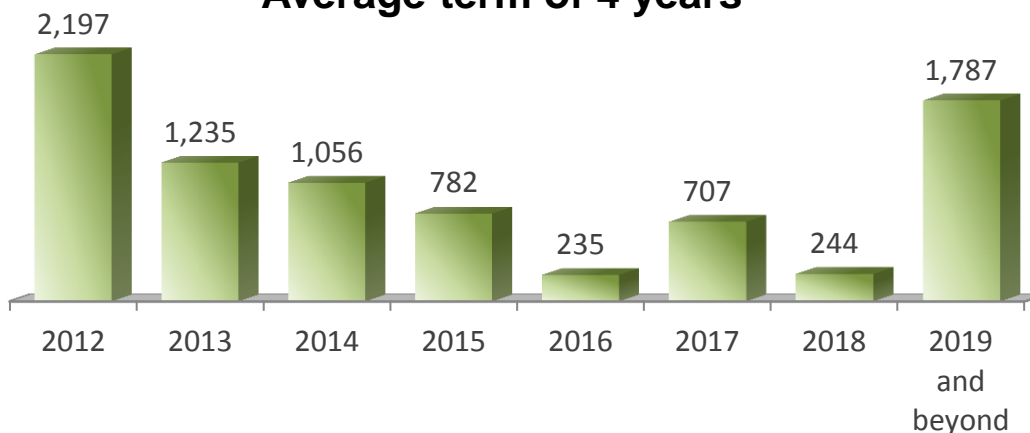


# Debt Structure – Cemig GT



## Debt Amortization Schedule (R\$ million)

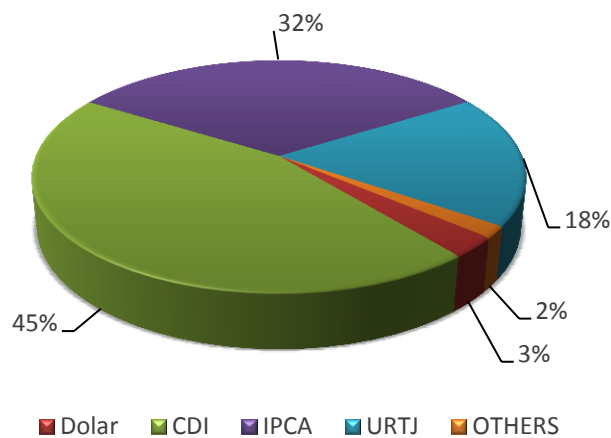
Average term of 4 years



Debt as of Sep/2012:

R\$ 8,244 million

## Debt Profile



Indices	Sep/2012
EBITDA/Interests	5.48
Net Debt./EBITDA	1.57
Net Debt/Capitalization	47.9%
Cost of Debt	5.06%p.a.

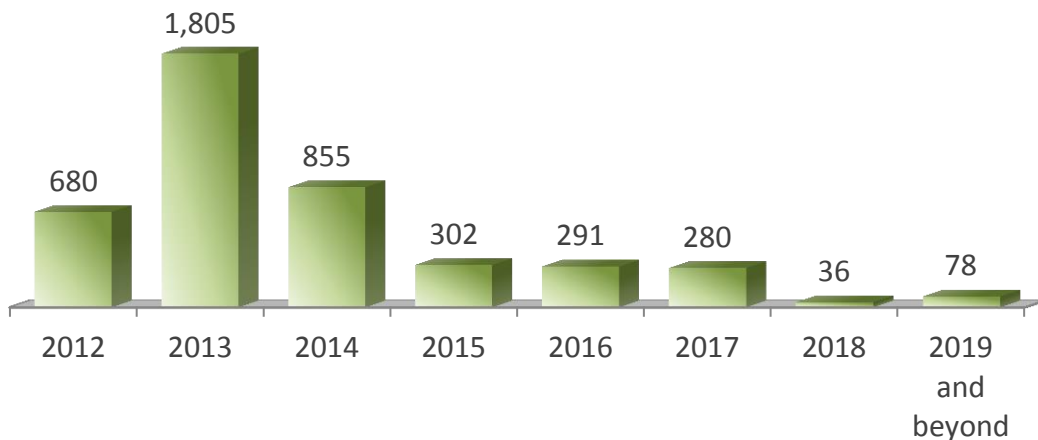


# Debt Structure – Cemig D



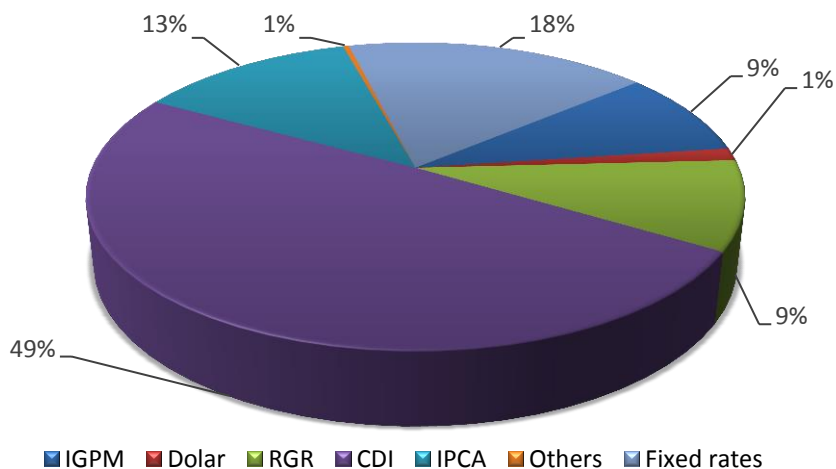
## Debt Amortization Schedule (R\$ million)

Average term of 2.1 years

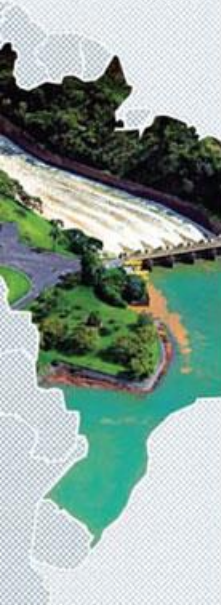


Debt as of Sep/2012:  
R\$ 4,327 million

## Debt Profile



Indices	Sep/2012
EBITDA/Interests	4.47
Net Debt./EBITDA	2.35
Net Debt/Capitalization	55.5%
Cost of Debt	5.96%p.a.



# 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.*



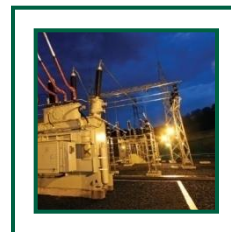
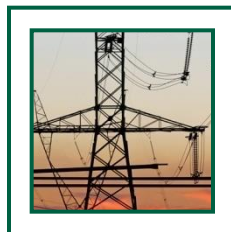
# The Cemig Story – Agenda



The positioning

The performance

The growth



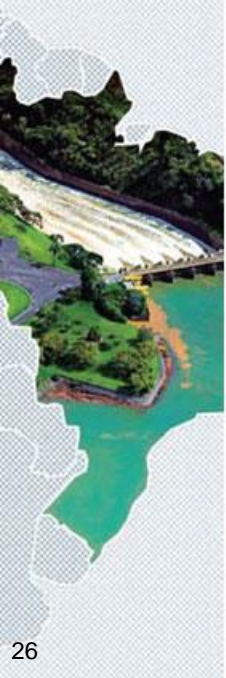
# Strategy

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Long Term Strategic Plan with a view to sustainable growth, in order to assure value adding to shareholders in the long run

- ✓ Expansion via organic growth or acquisitions
- ✓ TAESA as the vehicle for growth
- ✓ Investments in a stand alone basis or in partnership with the private sector
- ✓ Investment discipline
- ✓ Balanced capital structure



# Record of Successful Acquisitions

## Business Model for Growth

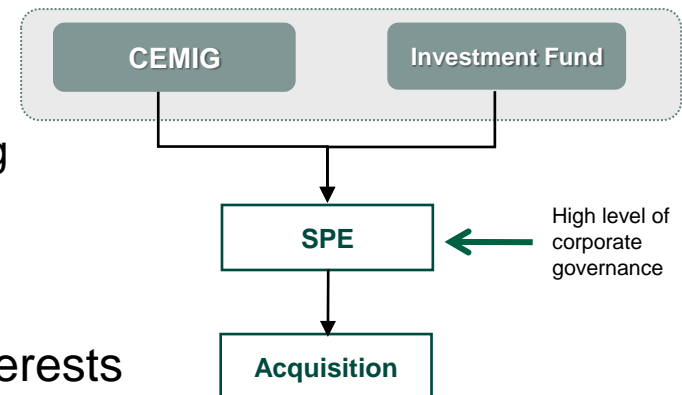


- Partnerships with Equity Investment Funds (FIPs) in recent acquisitions (Terna and Light) create a new growth driver
- Structuring of partnerships with FIPs produces a growth strategy that optimizes capital needs
- Innovative acquisition structure enables Cemig to use it in other expansion opportunities, aligned with its Long-Term Strategic Plan.
- Attractive return to investors, at low risk

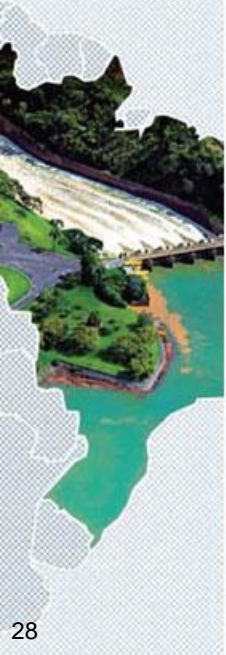
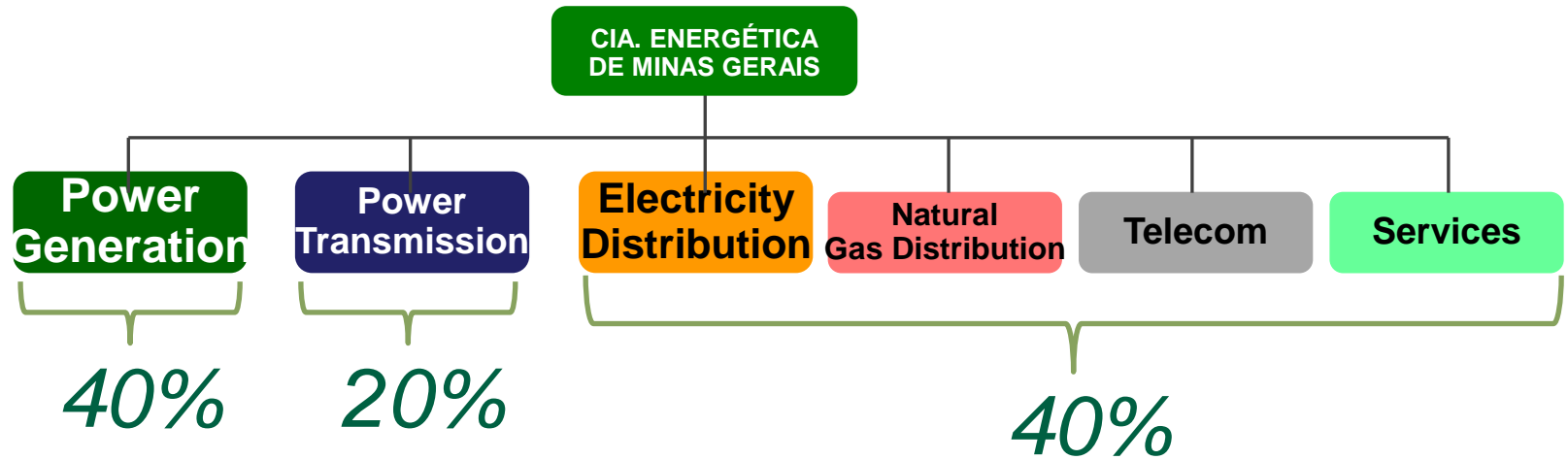


### Best-in-class Corporate Governance

- 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



# Target Ebitda contribution by business in the long run



# Challenges

## *Electric Sector Concession Renewals*



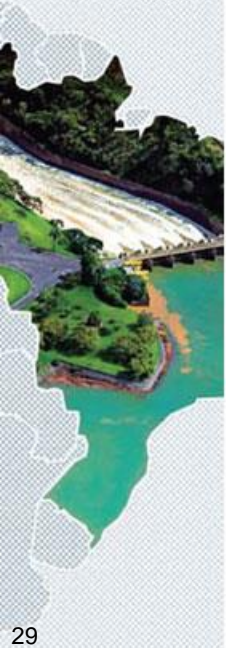
### **Law 12,783/2013:**

- Reduction of sector charges
- Extension of concessions for additional 30 years, conditioned to an early renewal in 2013, for those expiring between 2013 and 2017
- Revenue covering only operation and maintenance costs

### **Cemig's concessions expiring between 2013 and 2017:**

- 21 power plants (2.4 GW – assured energy)
  - ✓ Among them, 3 HPP which have not been granted with a extension yet, account for 1.8 GW of assured energy
- Transmission concession contract in Minas Gerais. EBITDA reduction of R\$336 million
- Distribution concession in Minas Gerais. No changes

Segment	Company's Decision
Generation (18 HPP of 2 <sup>nd</sup> renewal)	Didn't accept
Generation (3 HPP of 1 <sup>st</sup> renewal)	Don't agree
Transmission	Accepted
Distribution	Accepted



# Clear Priorities for 2013



## Priorities

1

Implement cost reductions

2

Integrate Taesa and Light acquisitions

3

Participate in green fields

4

Select new acquisitions



# Appendix



# 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\$ 1.98
- Reserves<sup>(1)</sup>: US\$ 376 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).

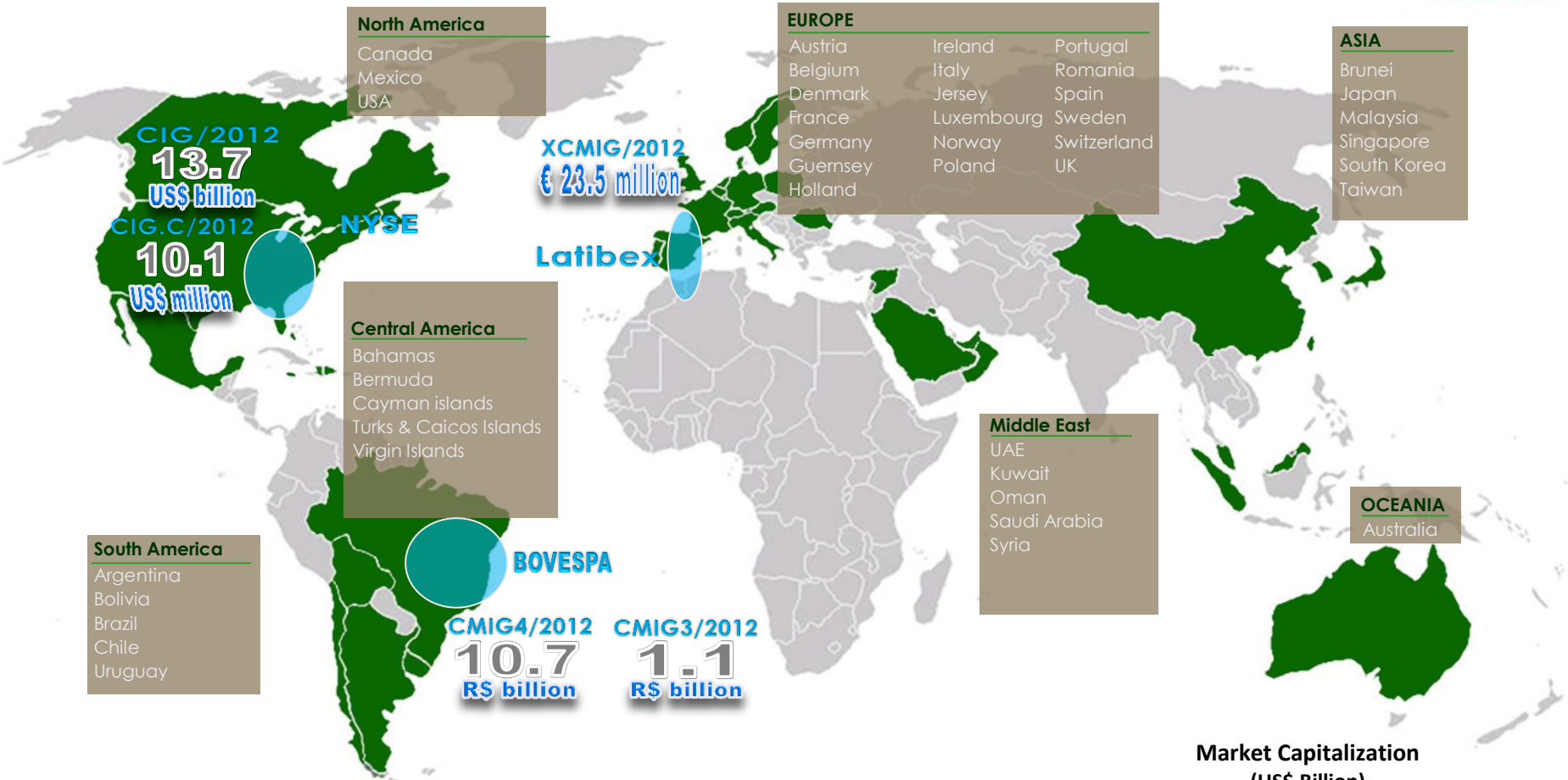
(1) As of March 01<sup>st</sup>, 2012

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

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



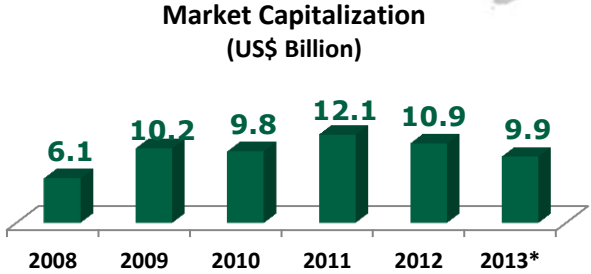
# Strong shareholders base assures liquidity



Average daily trading volume, 2012

**Bovespa:** R\$ 80 million  
**NYSE:** US\$ 55 million

- Shares traded on 3 stock exchanges
- Over 121,000 stockholders in 40 countries

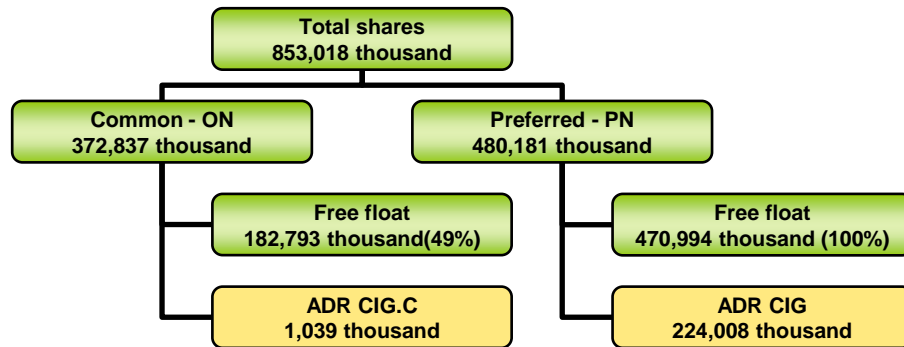
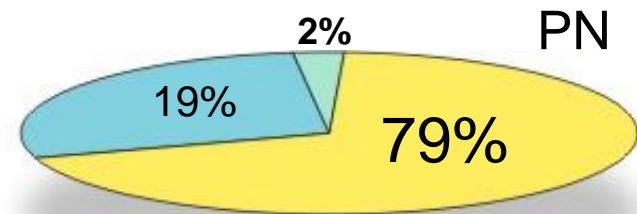
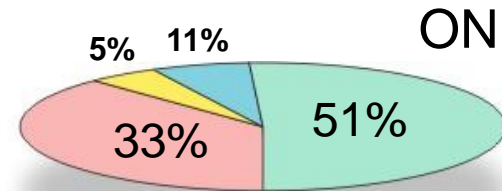
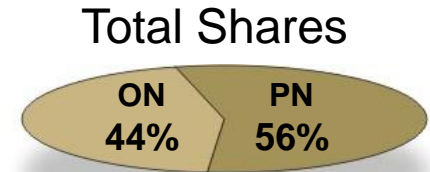


\* As of March 01<sup>st</sup>, 2013

# 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)**



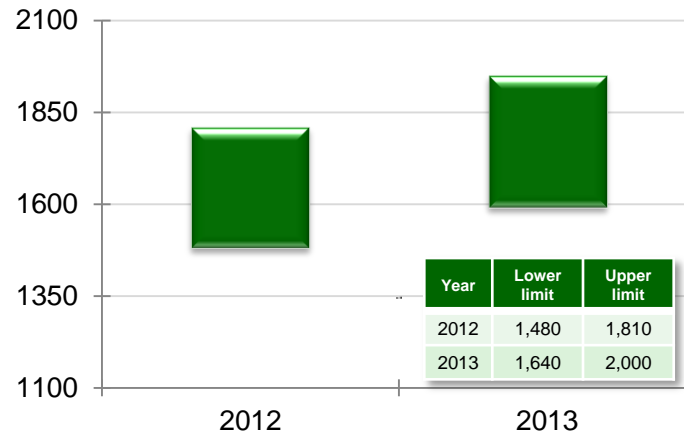
Share nominal value = R\$5.00

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

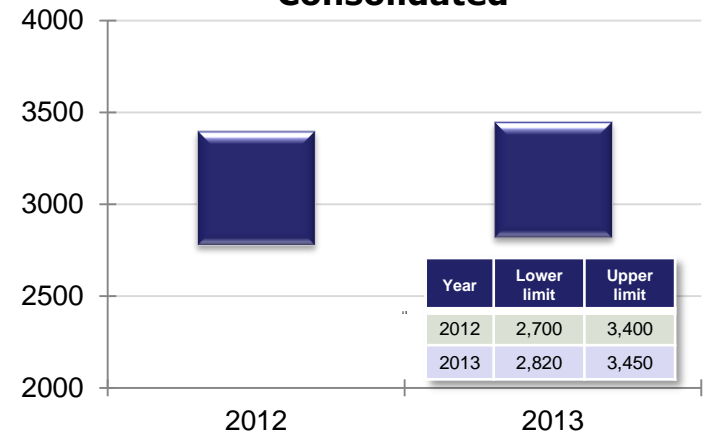
# EBITDA Guidance 2012-2013



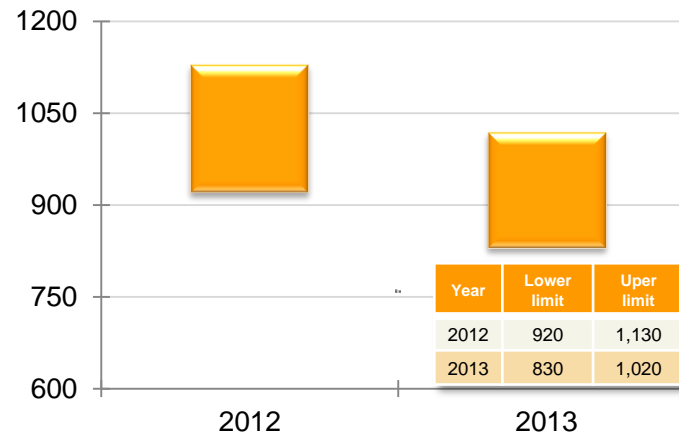
## Cemig D



## Cemig GT – Consolidated



## Holdings

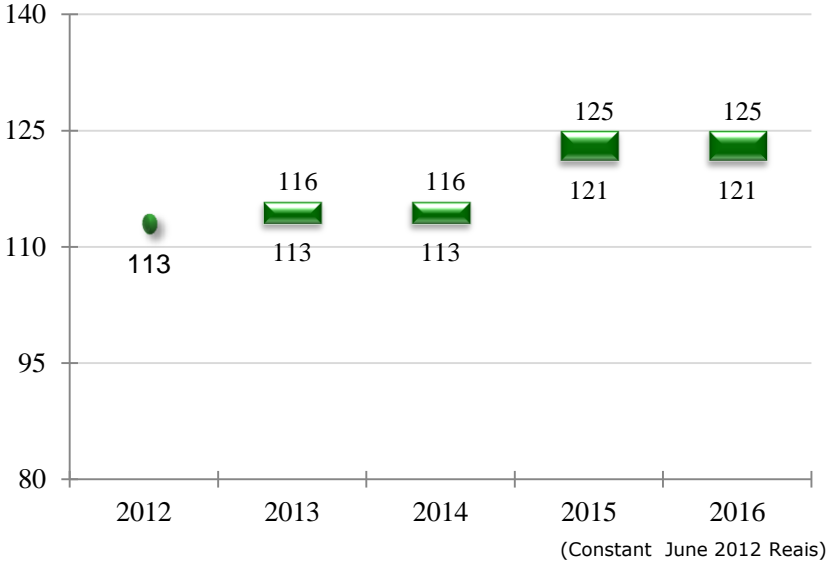


R\$ Million in constant prices as of June 2012

# CEMIG GT: Power generation prices estimates



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

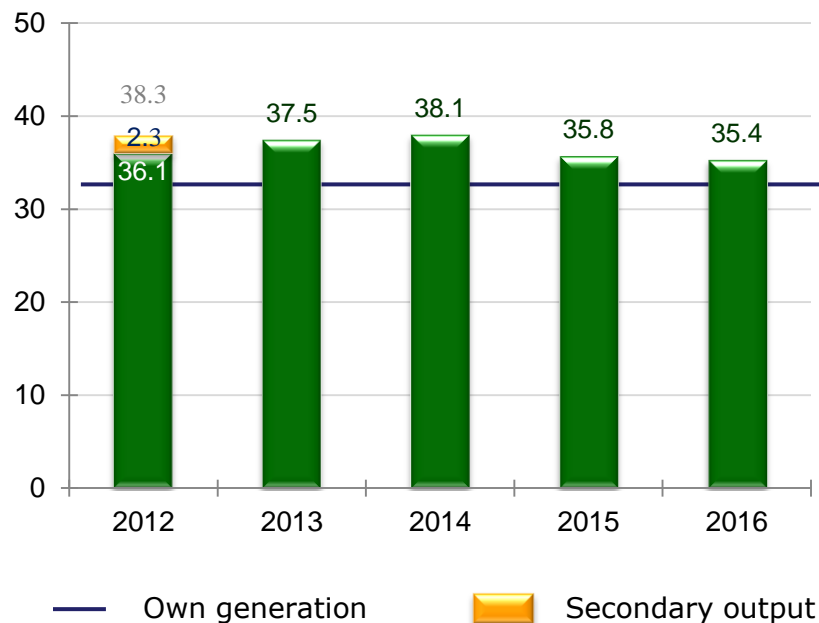


- Replacement of existing contracts, starting in 2015, by new contracts with higher prices than the present.

# 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).

# Maturing contracts – power generation plants



## 2nd renewal:

#	Type	Plant	Expiry of concession	Installed capacity (MW)	Assured energy (average MW)
1	HPP	Três Marias	Jul/2015	396	239
2	HPP	Volta Grande	Feb/2015	380	229
3	HPP	Salto Grande	Jul/2015	102	75
4	HPP	Itutinga	Jul/2015	52	28
5	HPP	Camargos	Jul/2015	46	21
6	SHPP	Piau	Jul/2015	18	14
7	SHPP	Gafanhoto	Jul/2015	14	7
8	SHPP	Peti	Jul/2015	9	6
9	SHPP	Joasal	Jul/2015	8	5
10	SHPP	Tronqueiras	Jul/2015	9	4
11	SHPP	Cajuru	Jul/2015	7	3
12	SHPP	Marmelos	Jul/2015	4	3
13	SHPP	Martins	Jul/2015	8	3
14	SHPP	Paciência	Jul/2015	4	2
15	SHPP	Anil	Jul/2015	2	1
16	SHPP	Sumidouro	Jul/2015	2	1
17	SHPP	Santa Maria	Jul/2015	1	1
18	SHPP	Poquim	Jul/2015	1	0
<b>TOTAL 2nd renewal</b>				<b>1,064</b>	<b>642</b>

## 1st renewal:

#	Type	Plant	Expiry of concession	Installed capacity (MW)	Assured energy (average MW)
1	HPP	São Simão	Jan/2015	1,710	1,281
2	HPP	Jaguara	Aug/2015	424	336
3	HPP	Miranda	Dec/2015	408	202
<b>TOTAL 1st renewal</b>				<b>2,542</b>	<b>1,819</b>

# Market Recognition



Included in the DJSI for the 11th year running.



Included in The Global Dow Index as the only Latin American electricity company in this 150-company index, and one of the 10 selected to represent emerging markets.



Included in Bovespa Corporate Sustainability Index.



Prêmio Anefac  
Transparency Trophy, 2011.



37th Apimec Award



Best analyst meeting



## 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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