



A Melhor Energia do Brasil.

# Successful Strategy

Performance reflects balanced portfolio structure

May, 2014



# 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  
2007-13

**+47%**

Market cap  
of US\$  
9.6<sup>(1)</sup> B.

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

Role in  
industry

**Leading  
consolidator**

In the Power Industry since 1952

(1) As of May 22<sup>th</sup>, 2014

(2) In the Brazilian Energy Industry

# Cemig: Strength in Numbers



Number of power plants

70

Total installed capacity

7,317 MW

Locations in Minas Gerais State

5,415

Size of Distribution concession area vs France

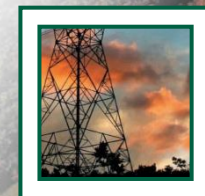
Larger

Electricity Distribution lines

526,869 km

Power Transmission lines

9,454 km

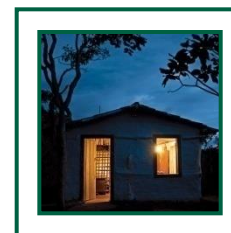
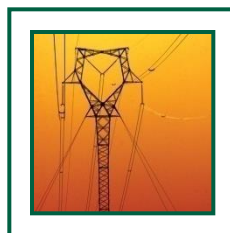


# Cemig at a Glance



- Based in State of Minas Gerais, controlling shareholder
  - growing throughout Brazil and Chile
- Strong financial profile:

– 1Q14	Net revenues: R\$ 4.8B	EBITDA: R\$ 2.1B
– 1Q13	Net revenues: R\$ 3.7B	EBITDA: R\$ 1.6B
- Highest liquidity in the sector
  - listed on 3 stock exchanges New York, São Paulo, Madrid
  - More than 120.000 shareholders in more than 40 countries
  - Average Daily Trading Volume in 2014, up to May 15<sup>th</sup>:
    - R\$78M in Bovespa
    - US\$27M 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





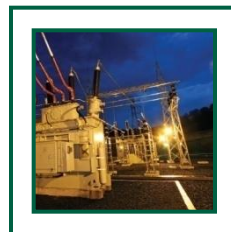
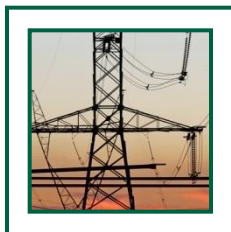
# The Cemig Story – Agenda



The positioning

The performance

The growth

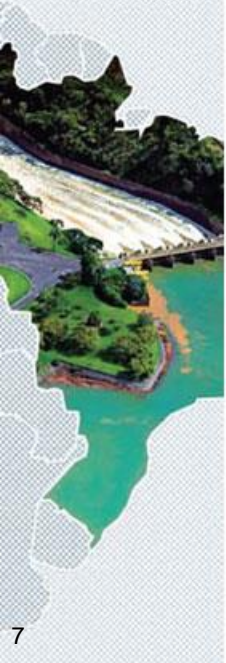


# Cemig is Uniquely Positioned

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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\*

#7

GDP 2013

US\$4.8 Trillion

GDP growth 2014\*\*

1.7%

Population

202 M

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

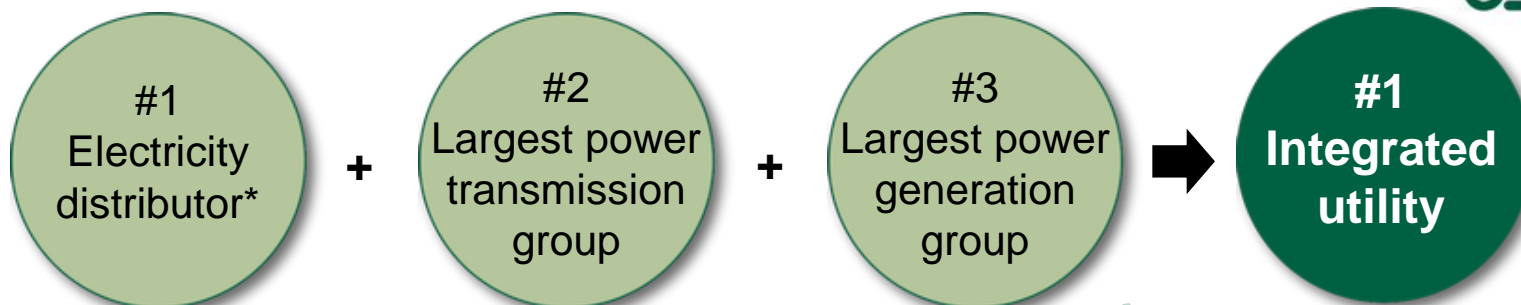
\* World Bank on March 31<sup>th</sup> 2013

\*\* Brazil's Central Bank Focus Report, March 14<sup>th</sup> 2013

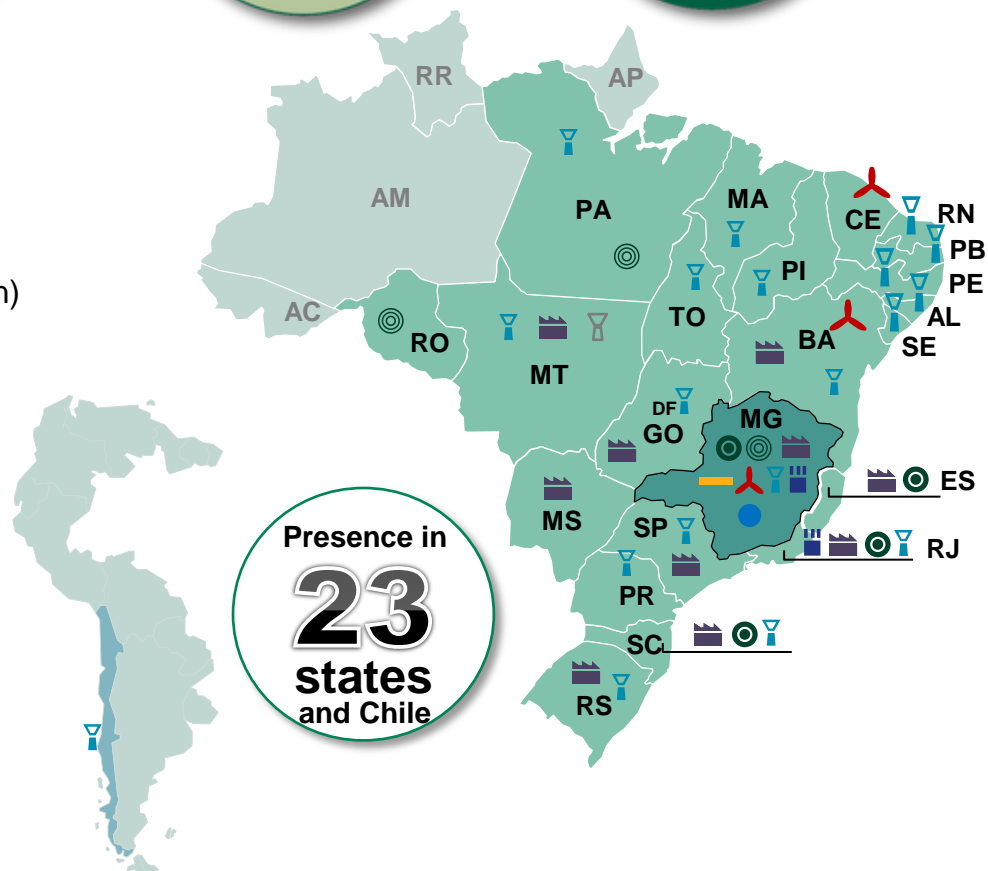




# Largest Integrated Utility in Brazil



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

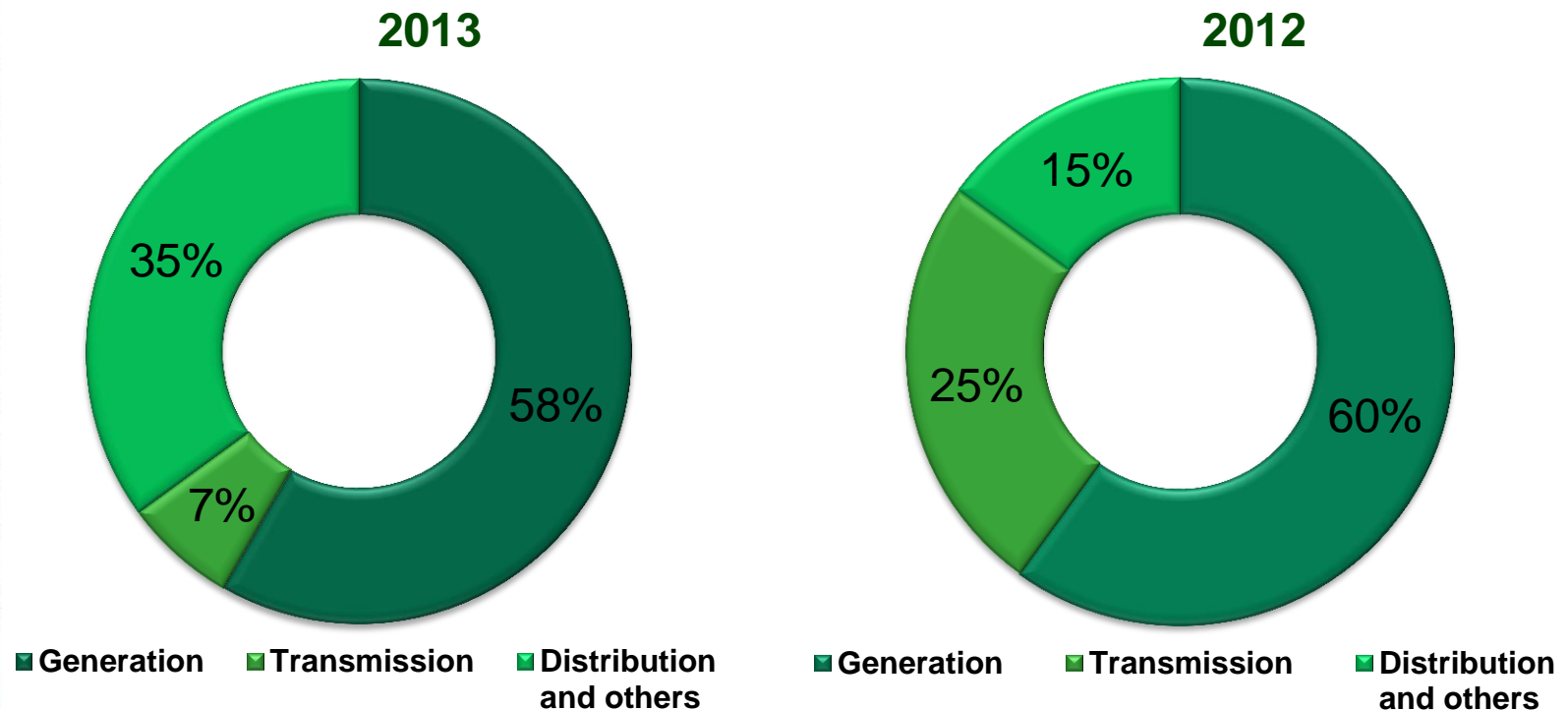


\* in terms of length of electricity distribution lines

# Diversified, Low Risk Business Portfolio



## Breakdown of Ebitda – IFRS10

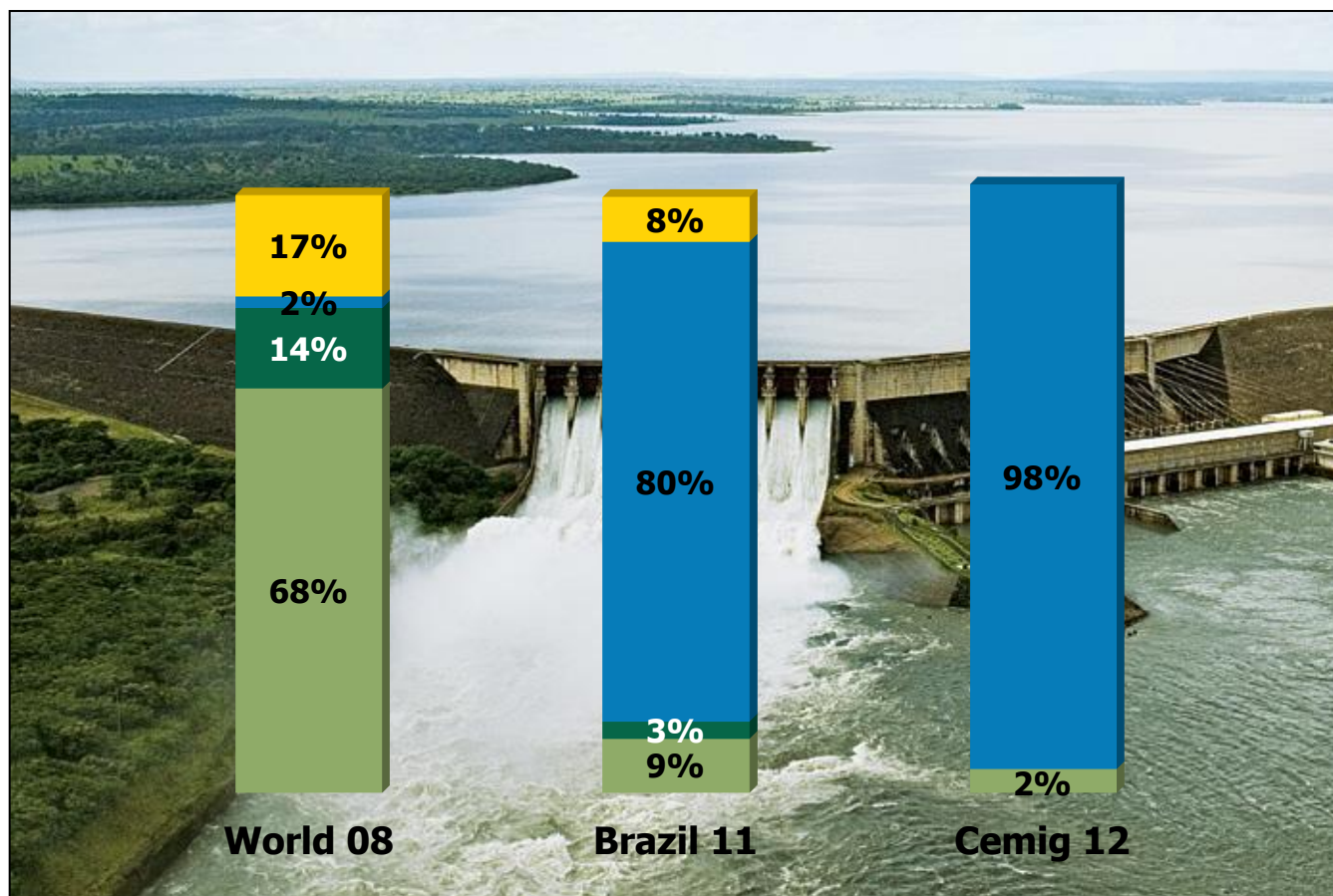


Most of the revenues are inflation protected

# Leader in Renewable Hydro Power Energy



## Power Generation by Source



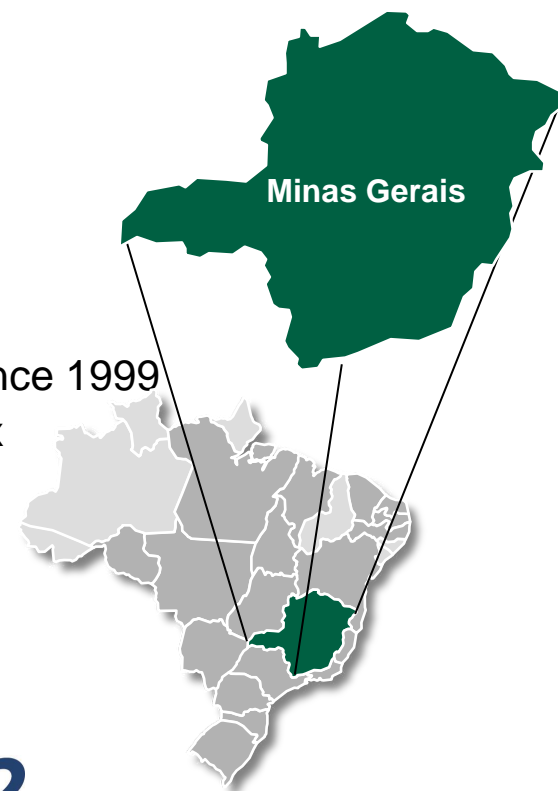
■ Fossil Source Fuels ■ Nuclear ■ Hydro ■ Others



# 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
  - 8 from a total of 15 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 – Dow Jones since 1999
  - Included in the ISE – Bovespa Sustainability Index since 2005
- ✓ Present in the Global Dow Index



MEMBER OF  
**Dow Jones  
 Sustainability Indices**  
 In Collaboration with RobecoSAM



Índice de  
 Sustentabilidade  
 Empresarial **ISE**  
 2014

Corporate  
 Responsibility **Prime**  
 rated by  
 ekom research

Índice  
 Carbono  
 Eficiente **IC02**

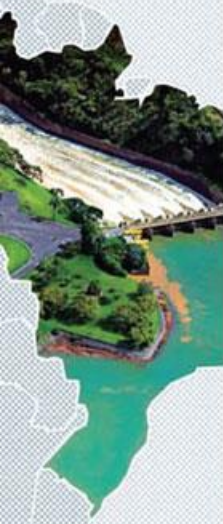
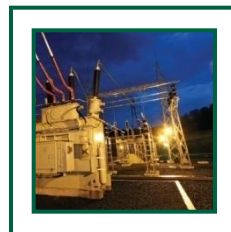
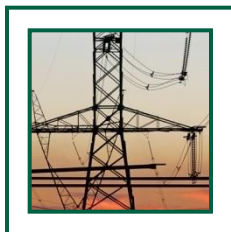
# The Cemig Story – Agenda



The positioning

The performance

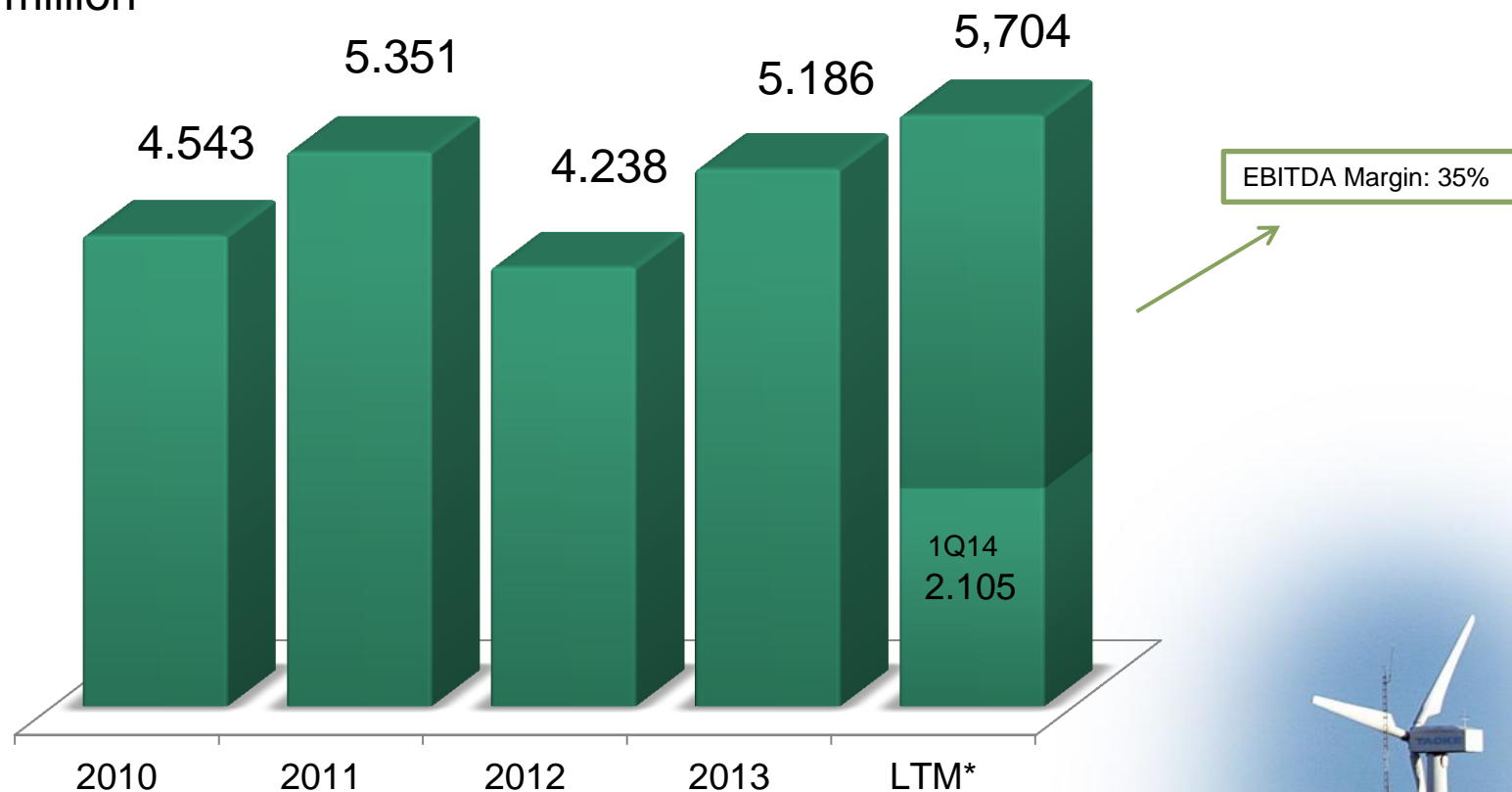
The growth



# Growth in EBITDA - Guidance



R\$ million



\*Last twelve months

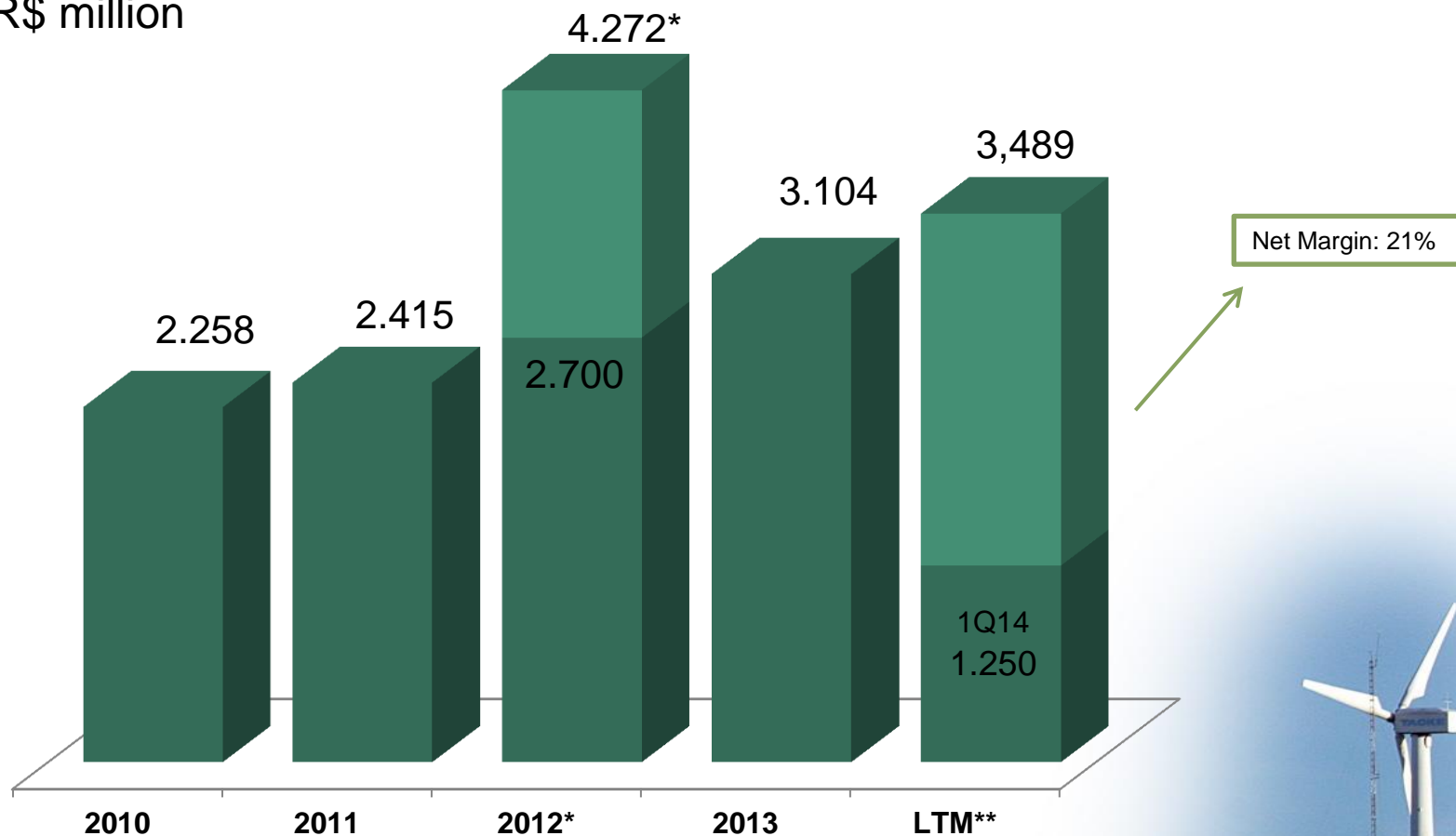




# Net Income Continues to Expand



R\$ million



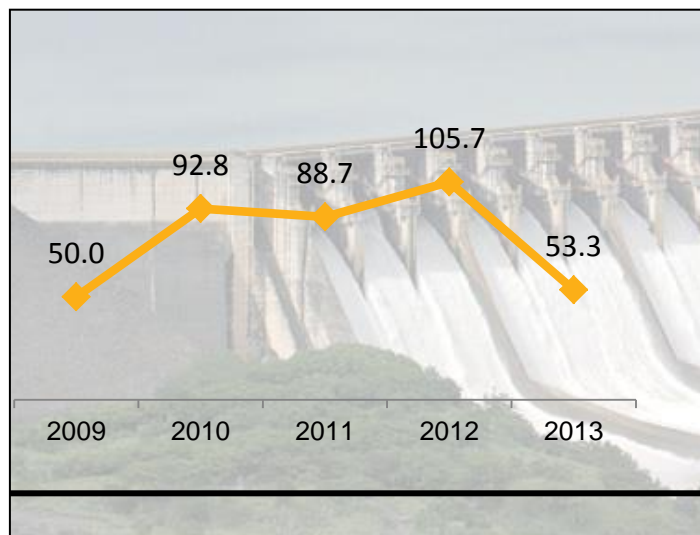
\*Includes non-recurring gain of R\$1,572 million with the CRC's (Accounts receivable from Minas Gerais State government) anticipated settlement.

\*\*Last twelve months

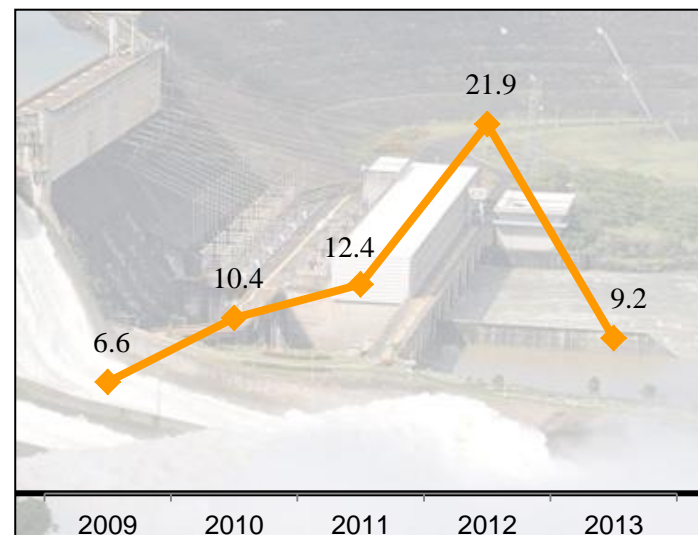
# Attractive and Secure Dividend Payout



Dividend Payout  
(% of Net Income)



Dividend Yield (%)\*  
Preferred shares



## Dec/2013 - Declared:

IOE – R\$533 mn  
O.D. – R\$1.068mn  
A.D. – R\$54mn



## Dec/2013 - Paid:

IOE - R\$533 mn

IOE – INTEREST ON EQUITY  
A.D. – ADDITIONAL DIVIDENDS  
E.D. – EXTRAORDINARY DIVIDENDS  
O.D. – ORDINARY DIVIDENDS

# Strong Balance Sheet to Support Growth



Net debt to EBITDA

**1.3X**

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

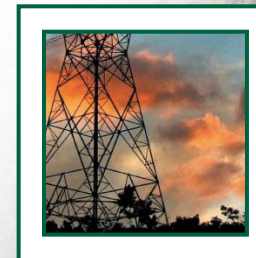
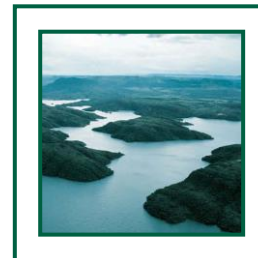
**0.4%**

Cash on hand – 1Q14

**R\$2.0B**

Net Revenue 1Q14

**R\$4.8B**



<sup>\*</sup>Net of financial hedging

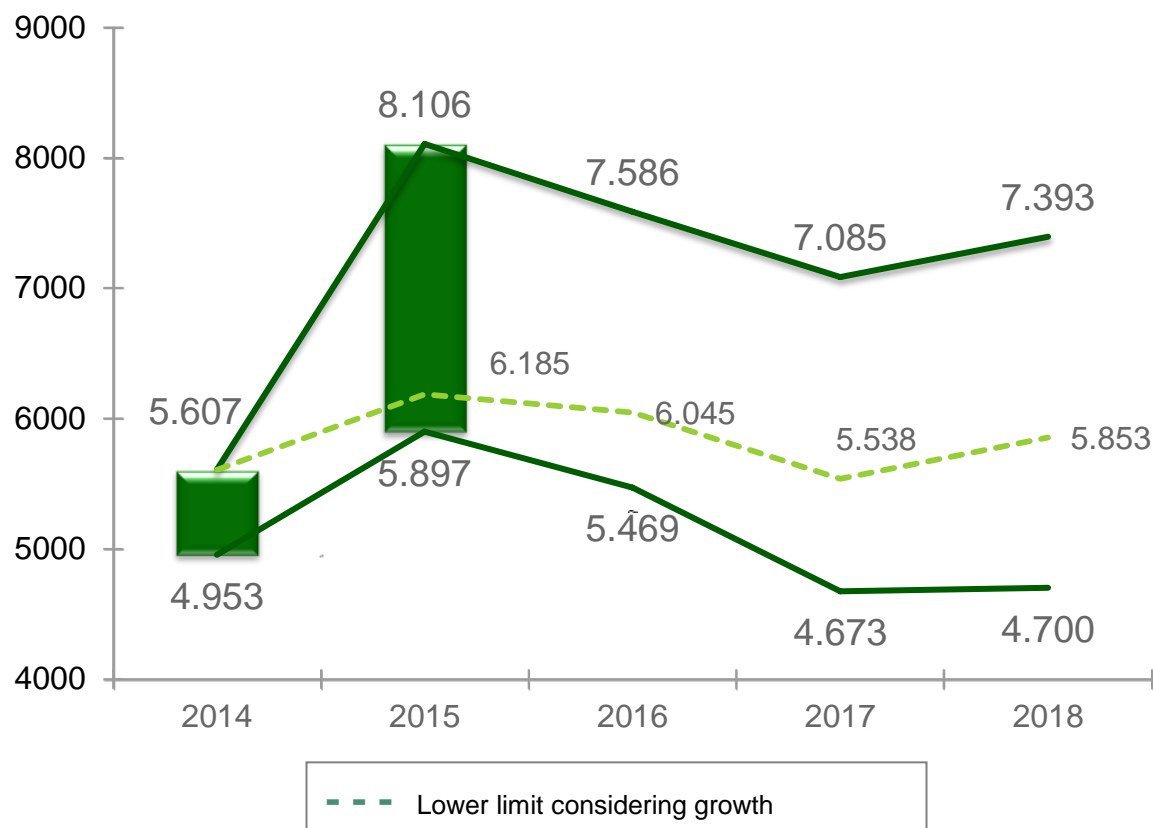


# EBITDA Guidance – 2014/2018



## CEMIG, CONSOLIDATED

Constant June 2014 R\$ '000



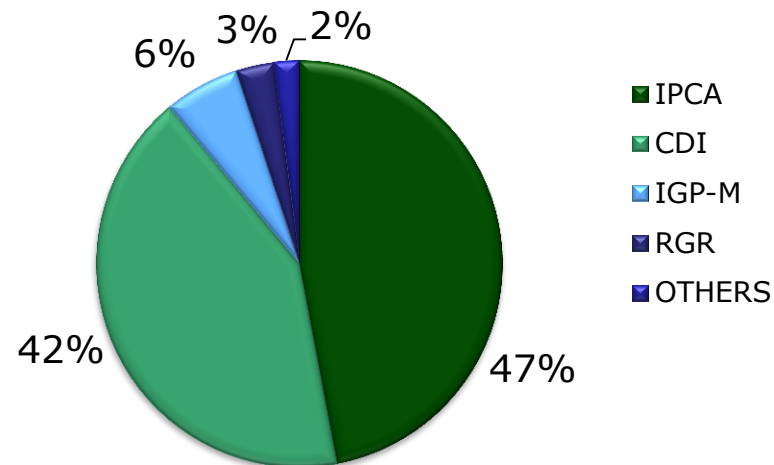
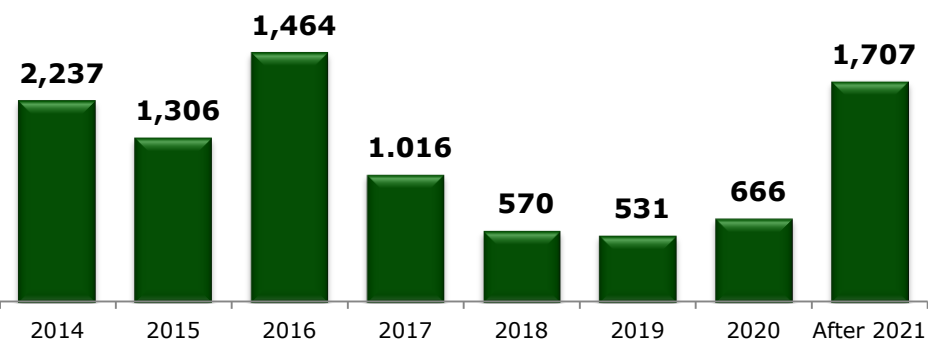
(\*) Ebitda includes all minority participation.

# Consolidated debt profile – 1Q14

**Maturities timetable**  
Average tenor: 4.3 years

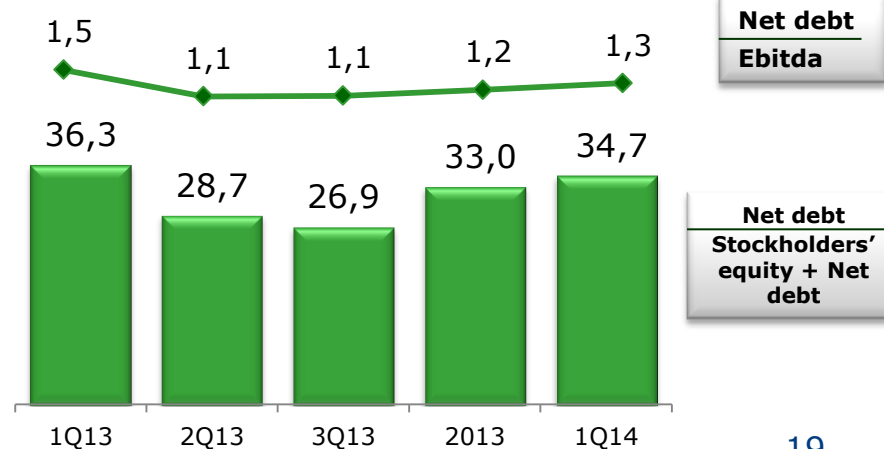
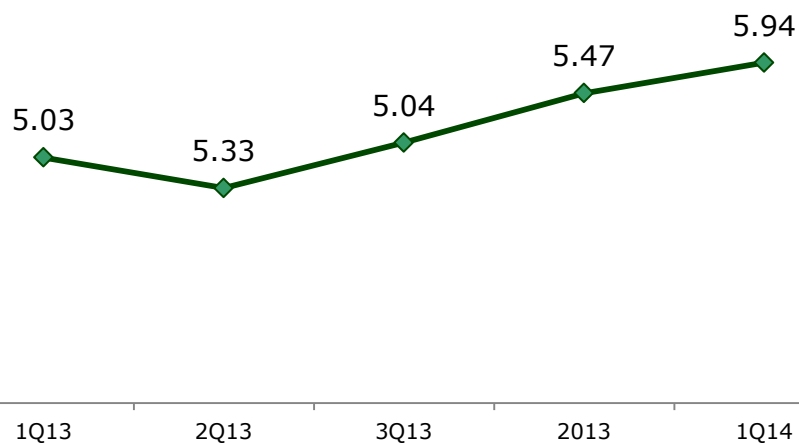
**Main indexes**

**Total net debt: R\$ 7.4bn**



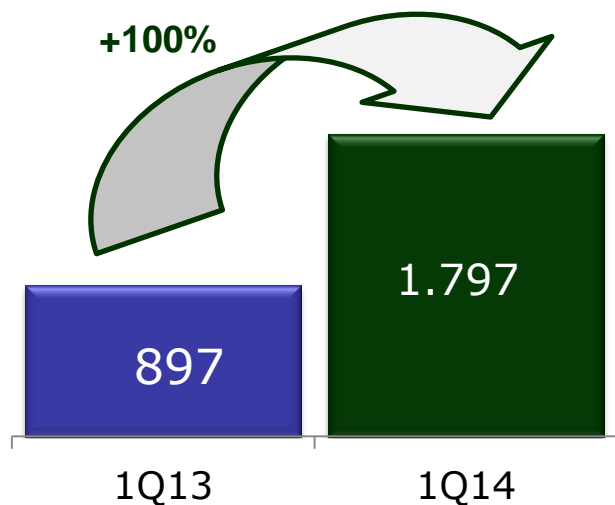
**Real cost of debt – %**

**Leverage – %**

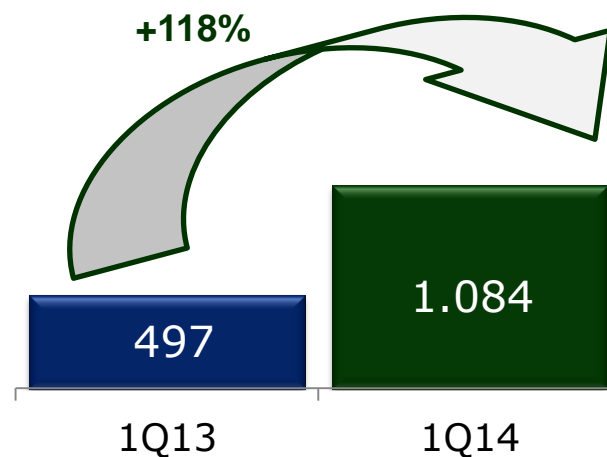


# Cemig GT – 1Q14 results

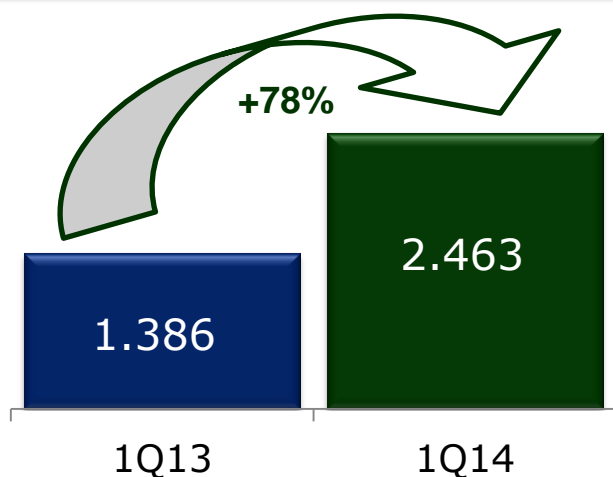
## Ebitda



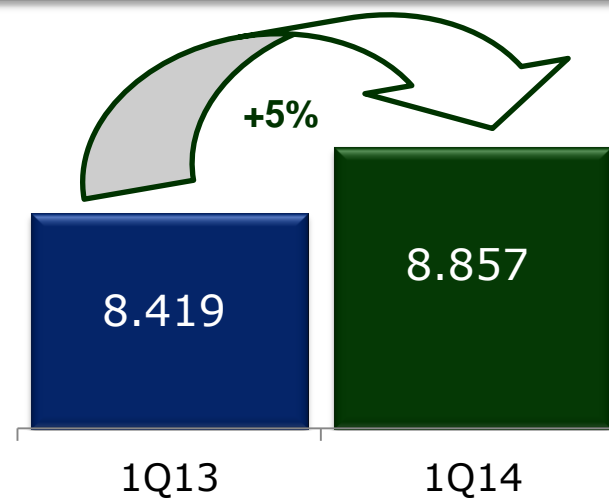
## Net income



## Net revenue



## Volume of electricity sold (GWh)



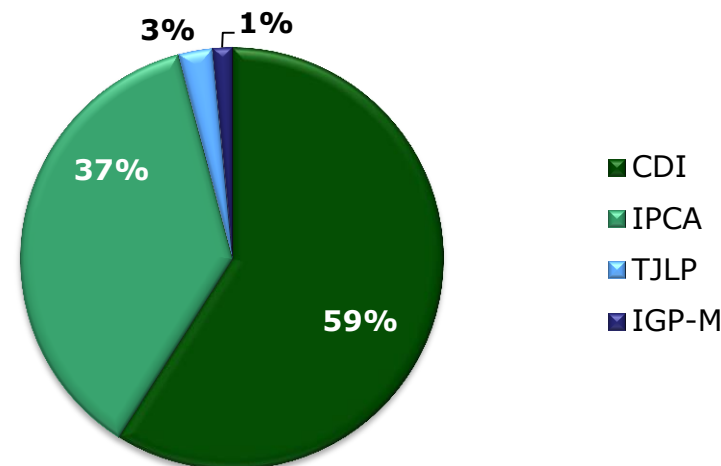
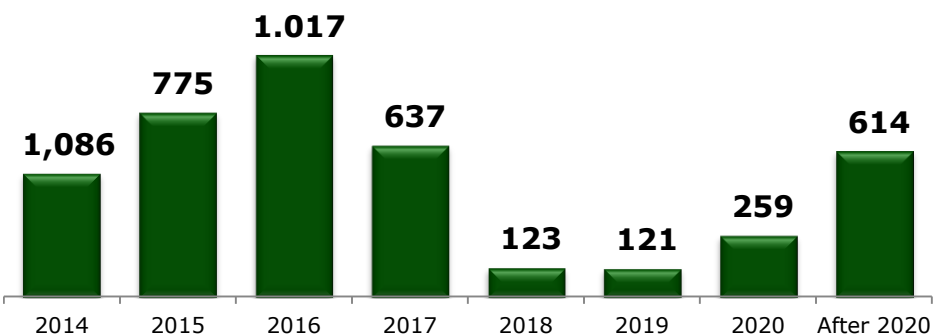


# Cemig GT: Debt profile – 1Q14

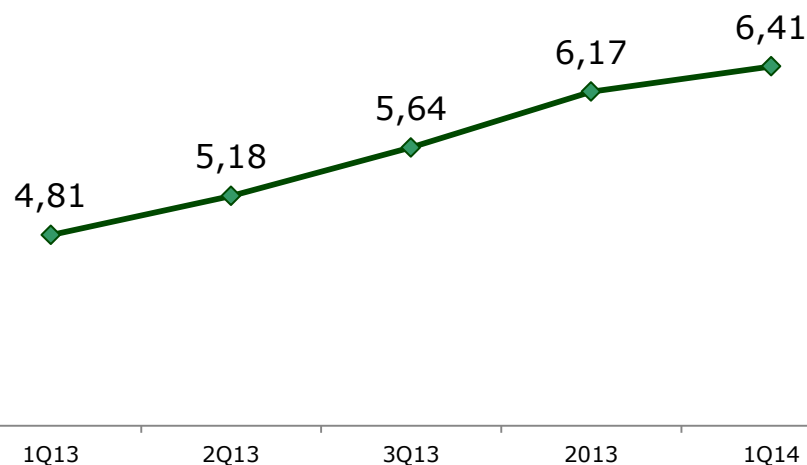
**Maturities timetable**  
Average tenor: 3.9 years

**Main indexors**

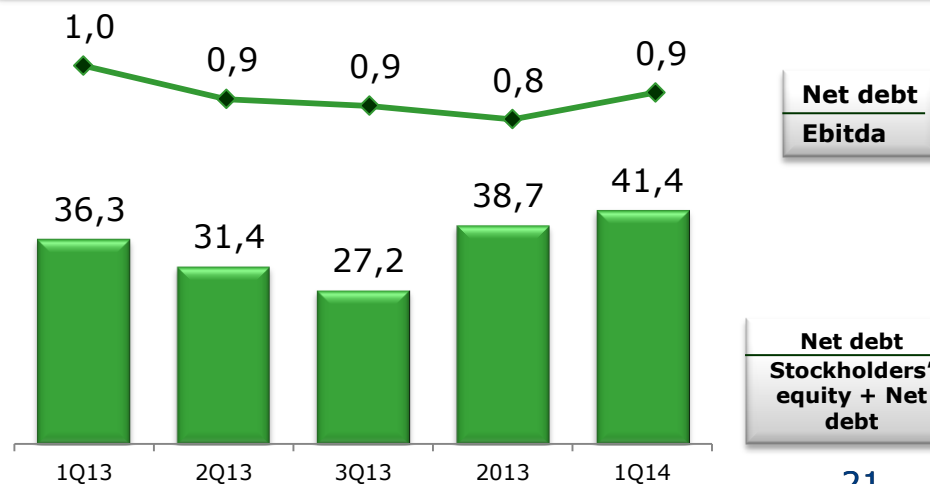
**Total net debt: R\$ 3.5bn**



**Average real cost of debt – %**

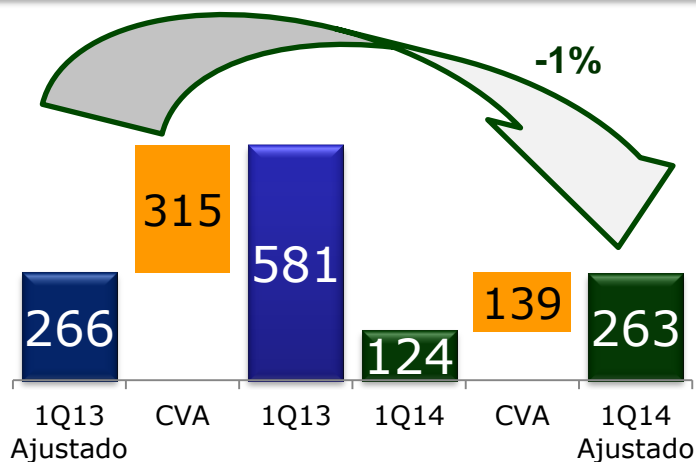


**Leverage – %**

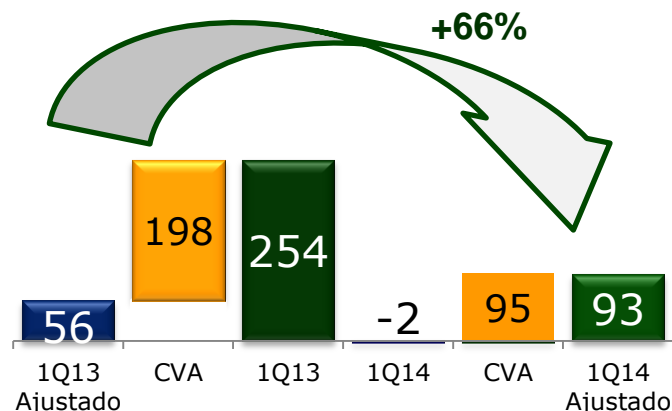


# Cemig D: 1Q14 results

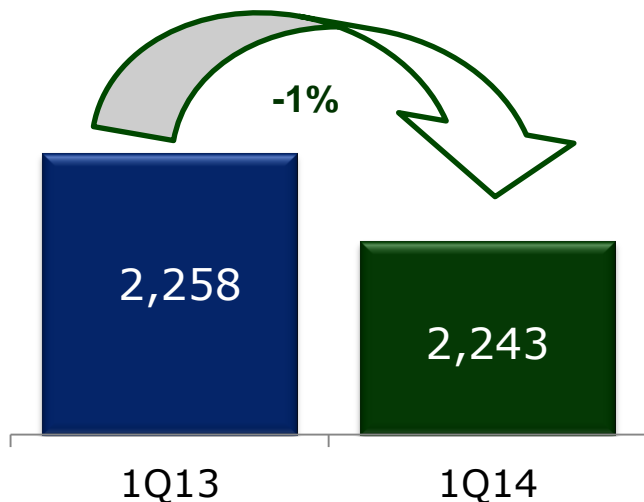
## Ebitda



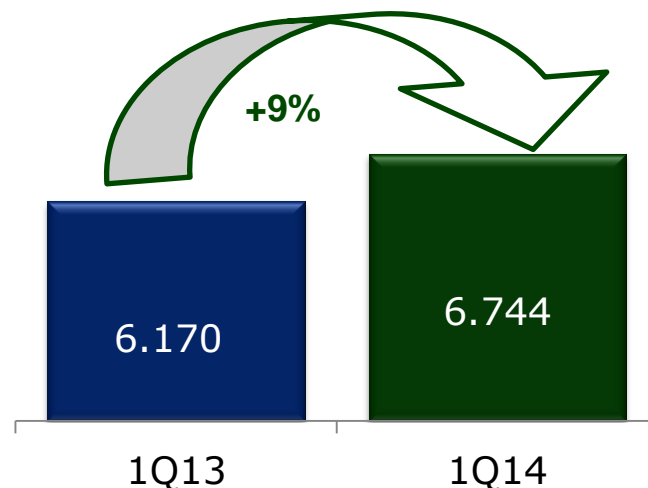
## Net income



## Net revenue



## Volume of electricity sold (GWh)

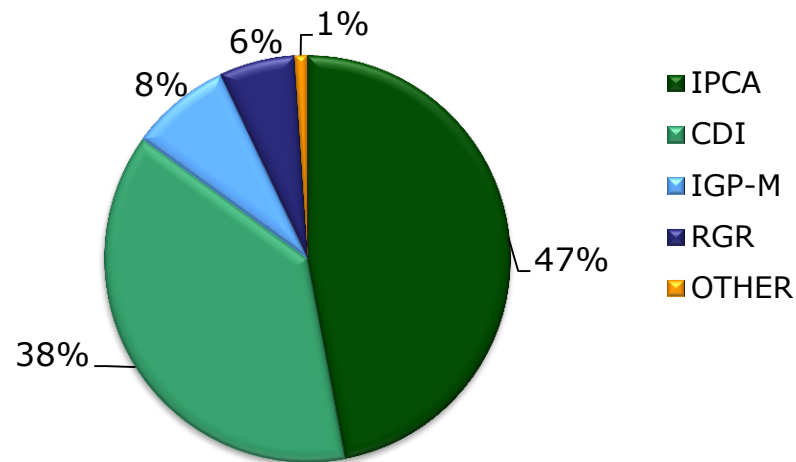
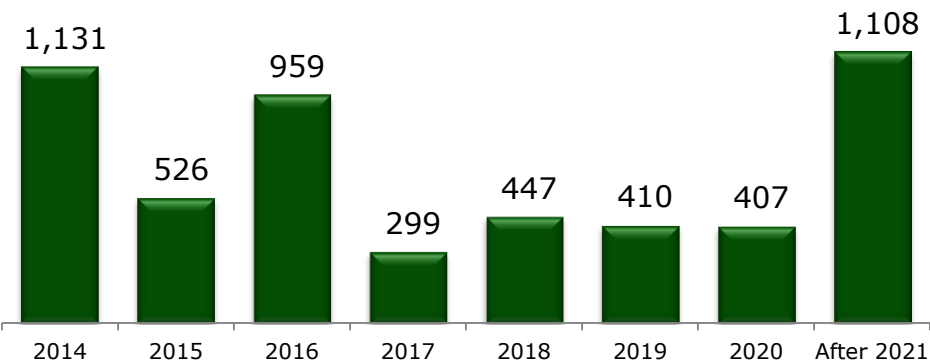


# Cemig D: Debt profile – 1Q14

**Amortization timetable**  
Average tenor: 4.5 years

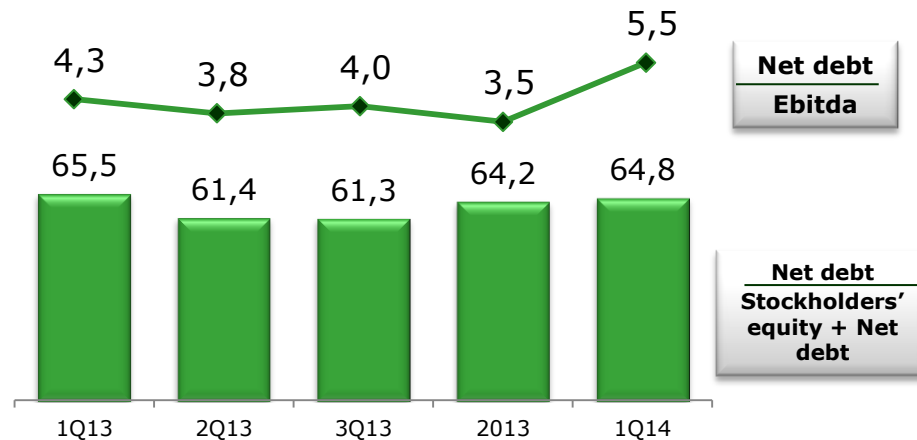
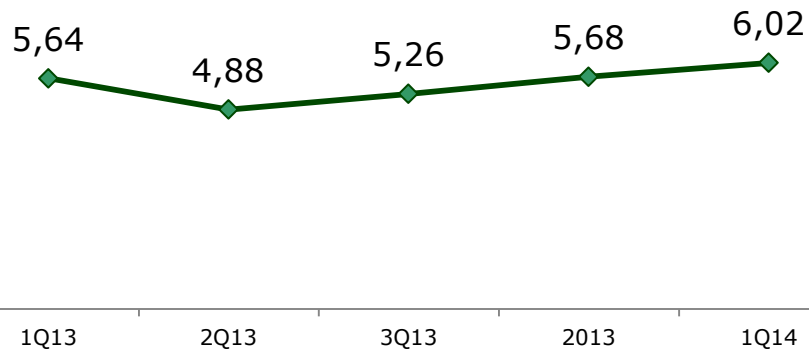
**Main indexors**

**Total net debt: R\$ 4.6bn**



**Average real cost of debt – %**

**Leverage – %**





# 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 H, Cemig GT and 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

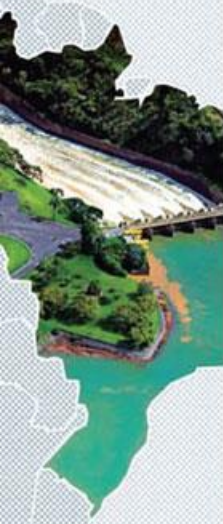
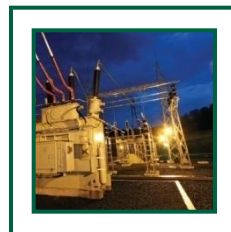
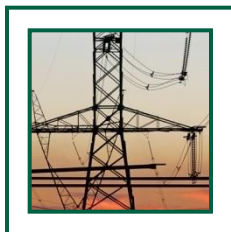
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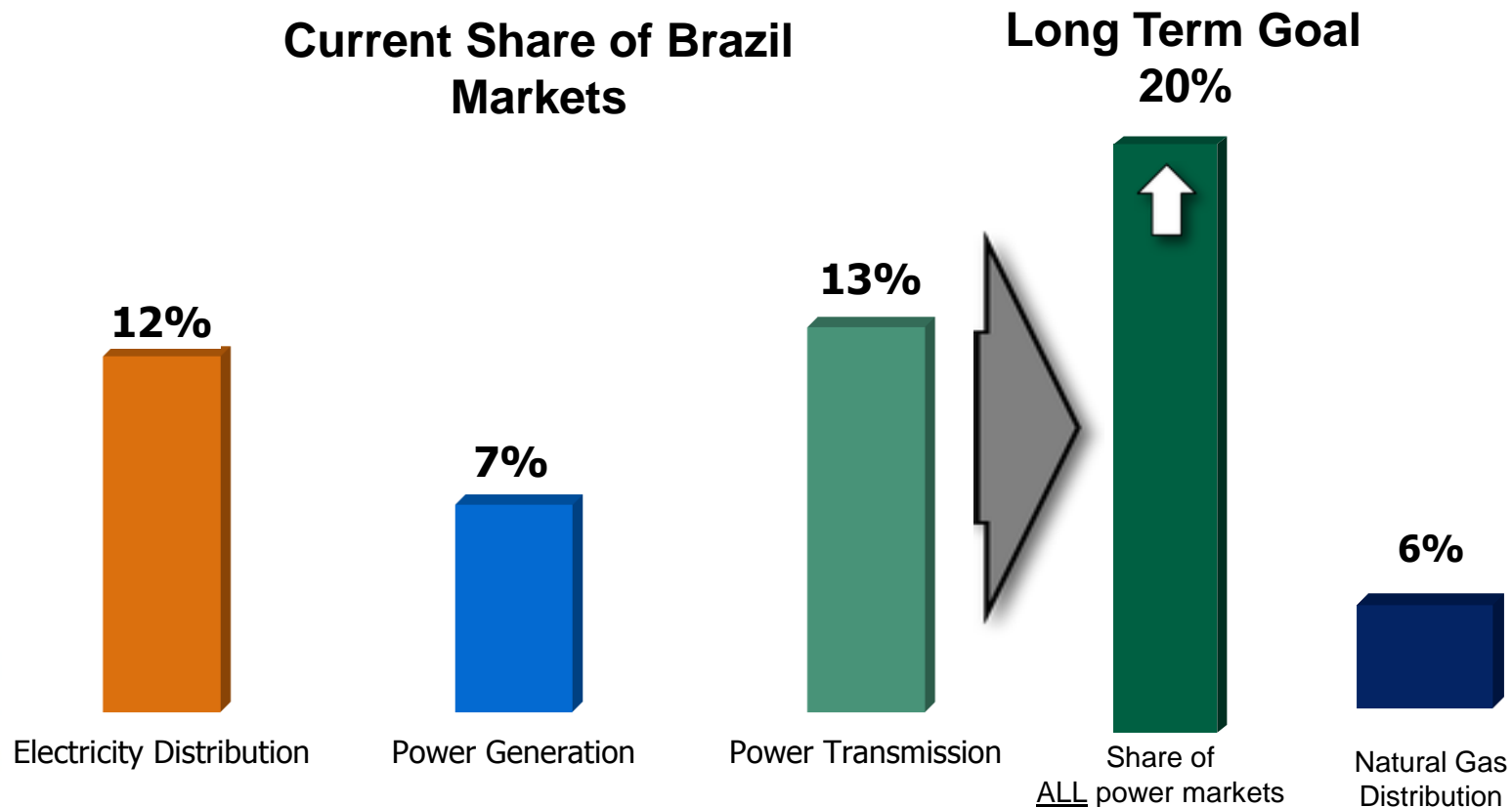
The positioning

The performance

The growth



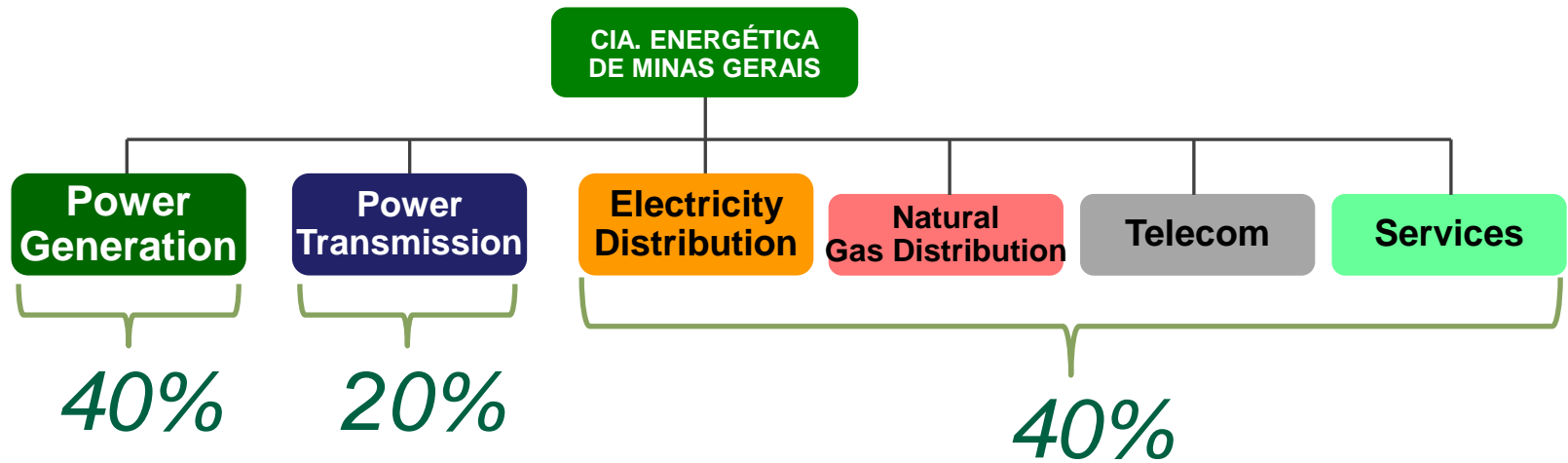
# Clear Long Term Goals



- 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

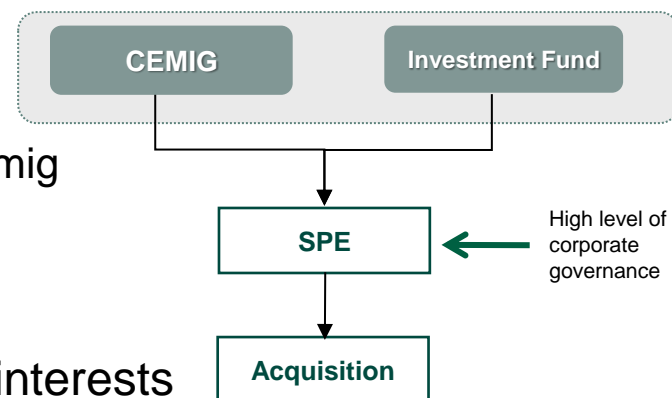


# Record of Successful Acquisitions

## Business Model for Growth



- Partnerships with Equity Investment Funds (FIPs) in acquisitions 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 2014



## Priorities

1

Execute cost reductions

2

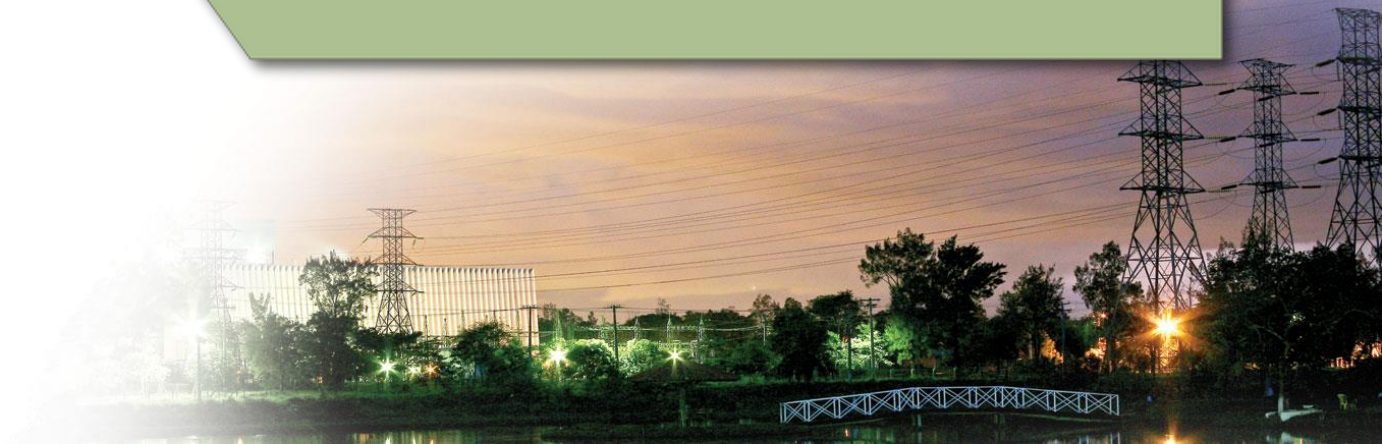
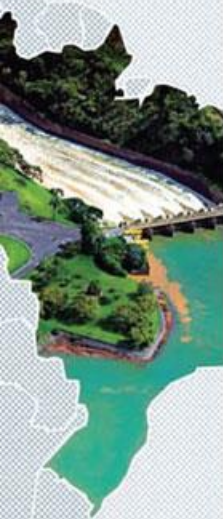
Integrate Taesa and Light acquisitions

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





A Melhor Energia do Brasil.

## Appendix



# Brazilian GDP growth is driven by domestic market

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

## Economics

- Largest Latin America economy
- 7th largest world economy
- GDP (2013): US\$ 4.8 trillion
- Inhabitants: 201 million
- Area: 8.5 million km<sup>2</sup>
- Currency<sup>(1)</sup>: Reais (BRL) – US\$1 = R\$ 2.35
- Reserves<sup>(2)</sup>: US\$ 375 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>(3)</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: 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 (ABRATTEE), Energy Research Company (EPE).

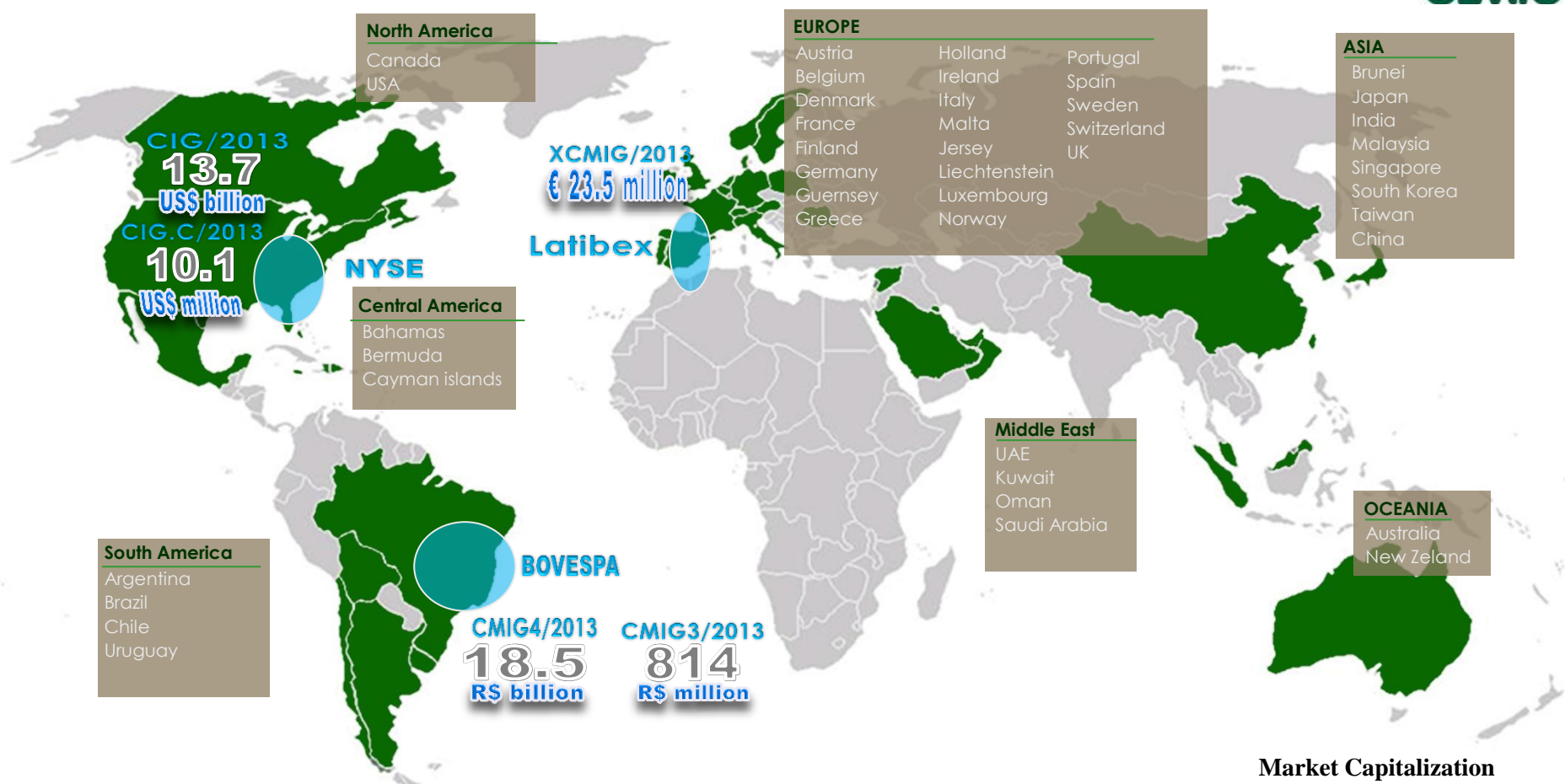
(1) As of December 27<sup>th</sup>, 2013 - Brazilian Central Bank

(2) As of December 03<sup>rd</sup>, 2013 - Brazilian Central Bank

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



# Strong shareholders base assures liquidity

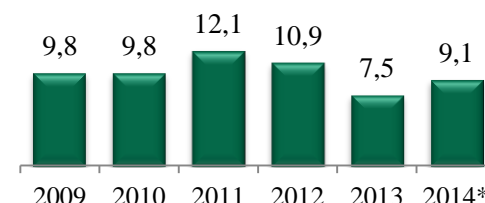


Average daily trading volume in 2014, up to May 15<sup>th</sup>

**Bovespa:** R\$ 78 million  
**NYSE:** US\$ 27 million

- Shares traded on 3 stock exchanges
- Over 120,000 stockholders in more than 40 countries

**Market Capitalization (US\$ Billion)**

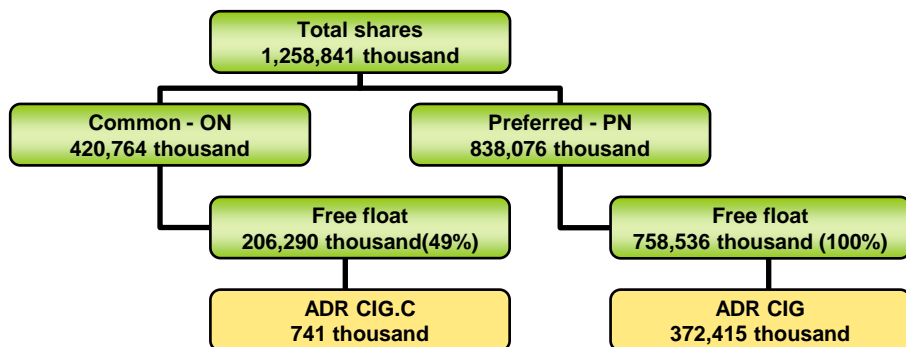


\* As of May 15<sup>th</sup> 2014

# The blend of shareholders provides long term perspective



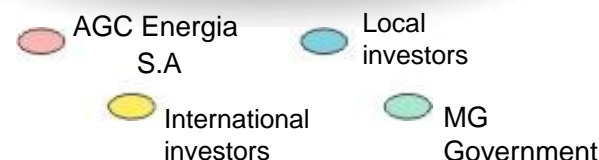
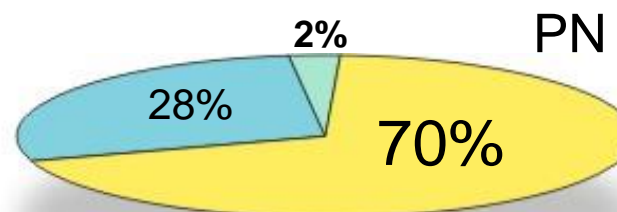
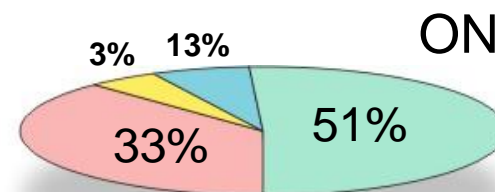
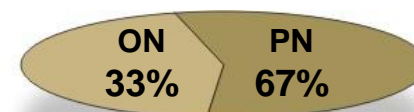
- Our shareholder diversity provides a global business management vision focused on sustainability of the company's activities
- Listed in major stock exchanges
  - **BOVESPA (Brazil)**
  - **NYSE (USA)**
  - **LATIBEX (Spain)**



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

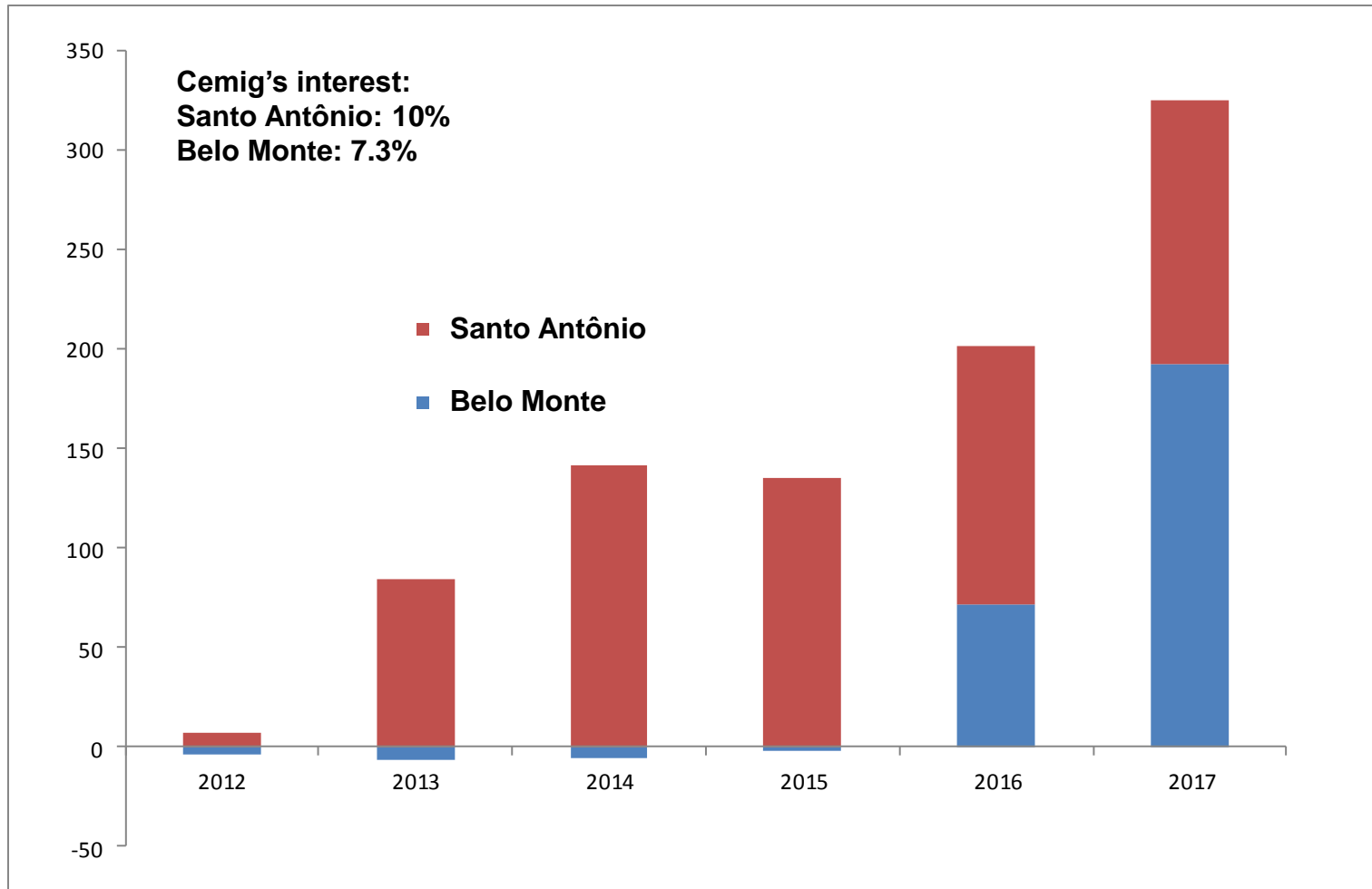
Total Shares



# Ebitda from holdings in Santo Antônio and Belo Monte



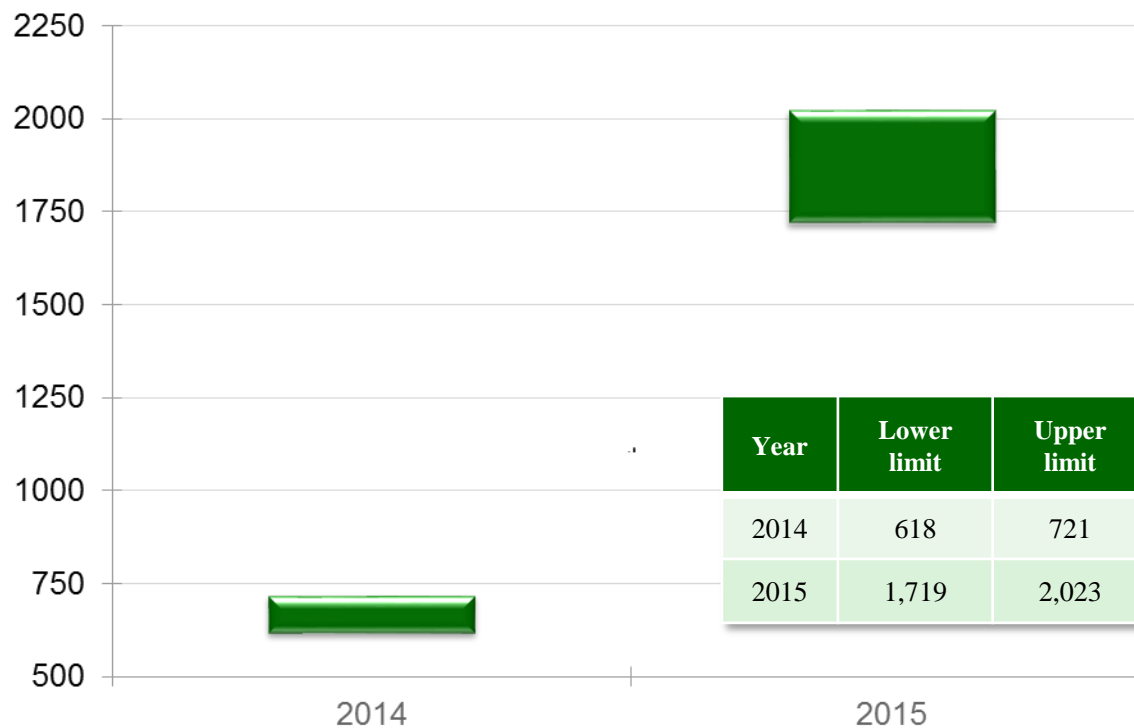
Constant June, 2013 R\$ million



# CEMIG D EBITDA Guidance – 2014/2015

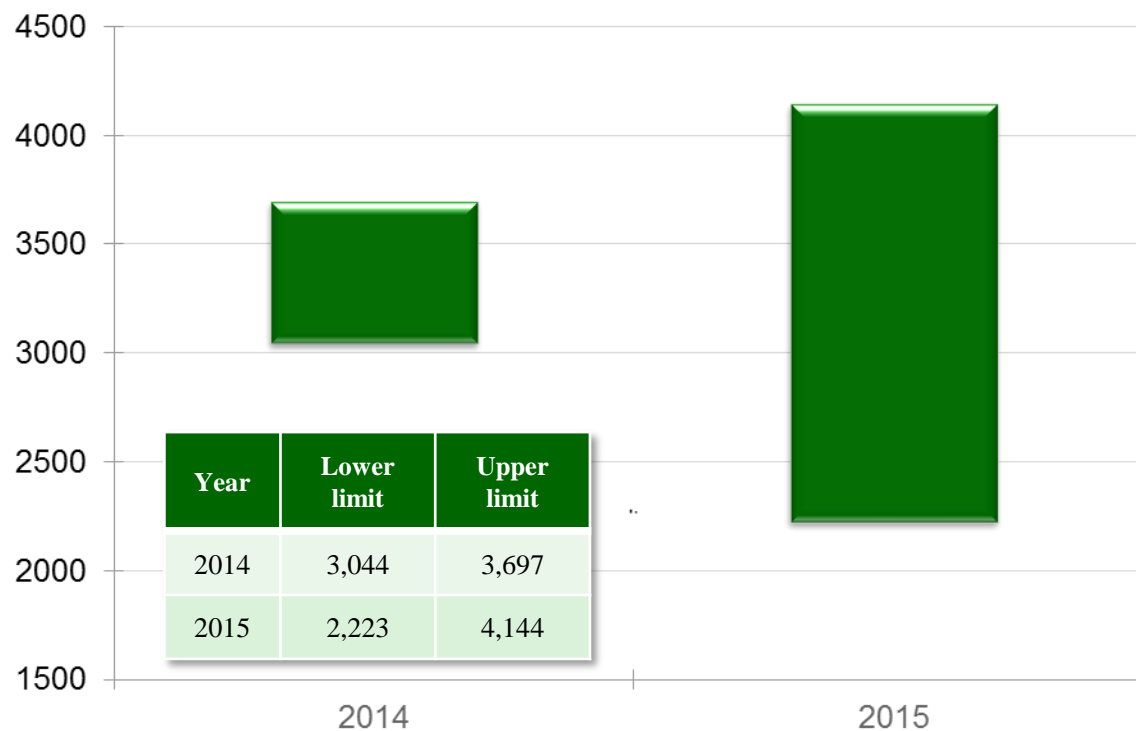


(Constant June 2014 R\$ million)





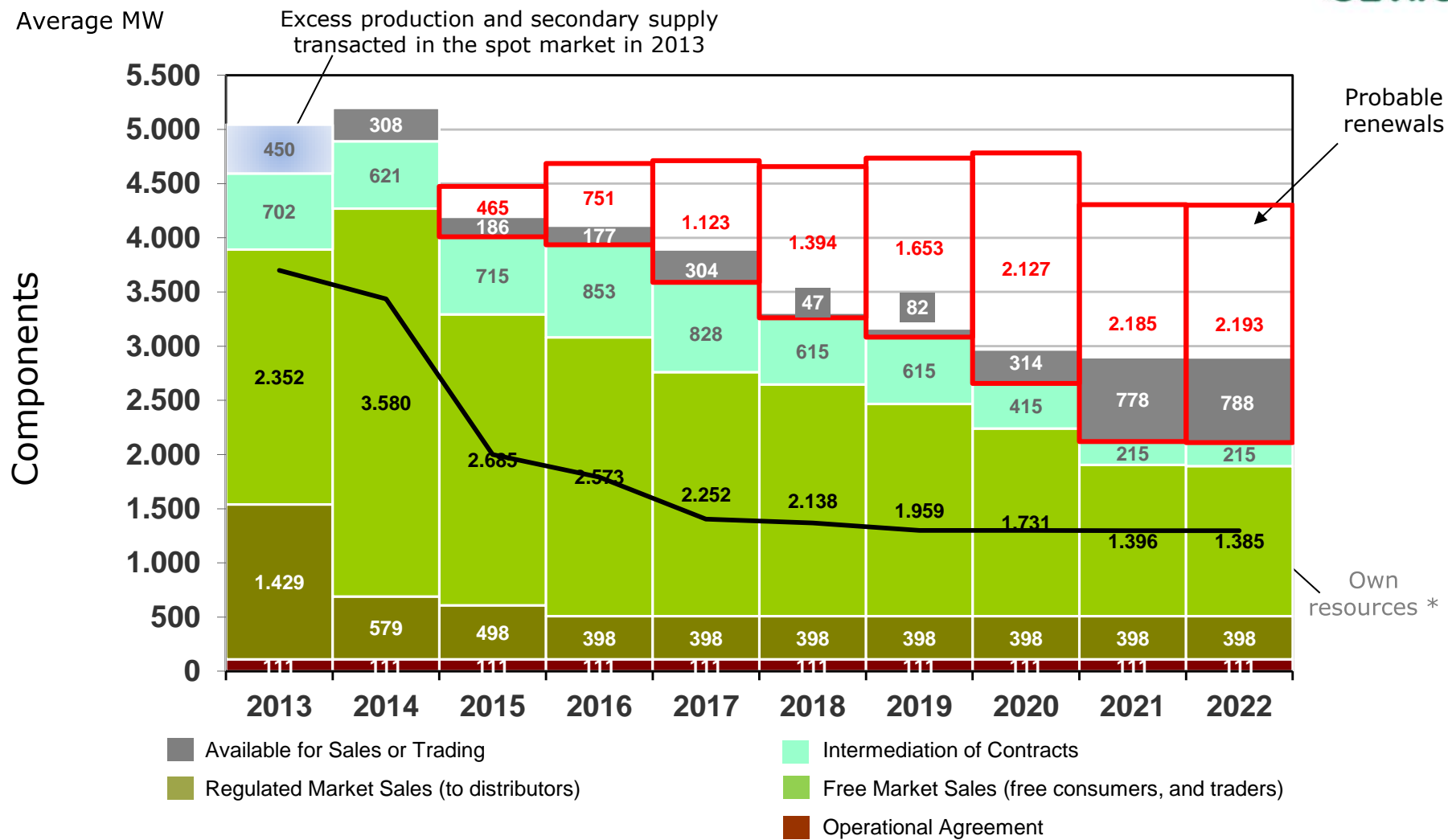
# CEMIG GT EBITDA Guidance – 2014/2015



(\*) EBITDA: includes ali minority participation.

(Constant June 2014 R\$ million)

# CEMIG GT – Supply-demand balance

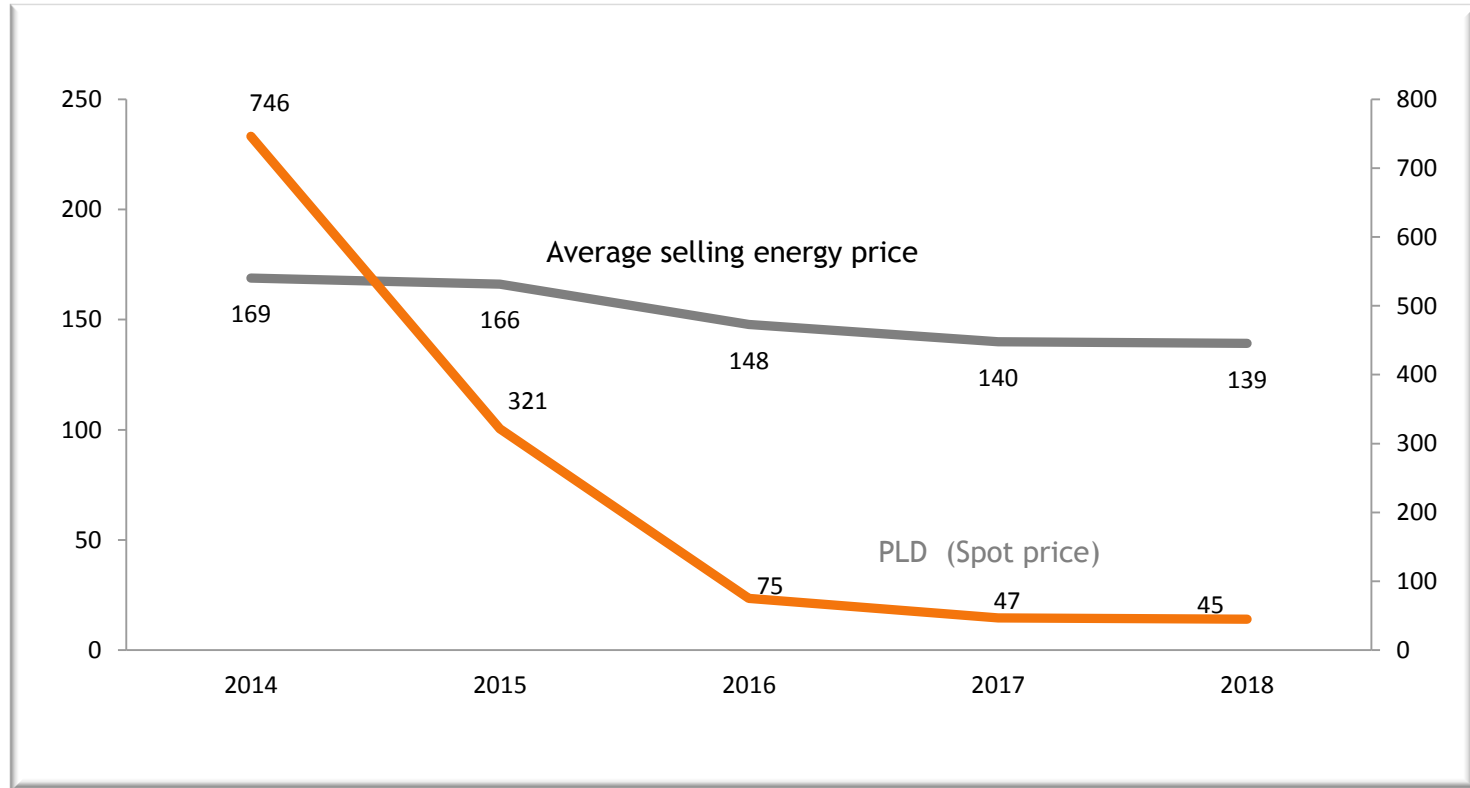


(\*) Excludes Hydroelectric Plants with **first or second** concession period expiring in coming years.

# Declining average prices in the period, considering spot prices



June 2014 R\$/MWh

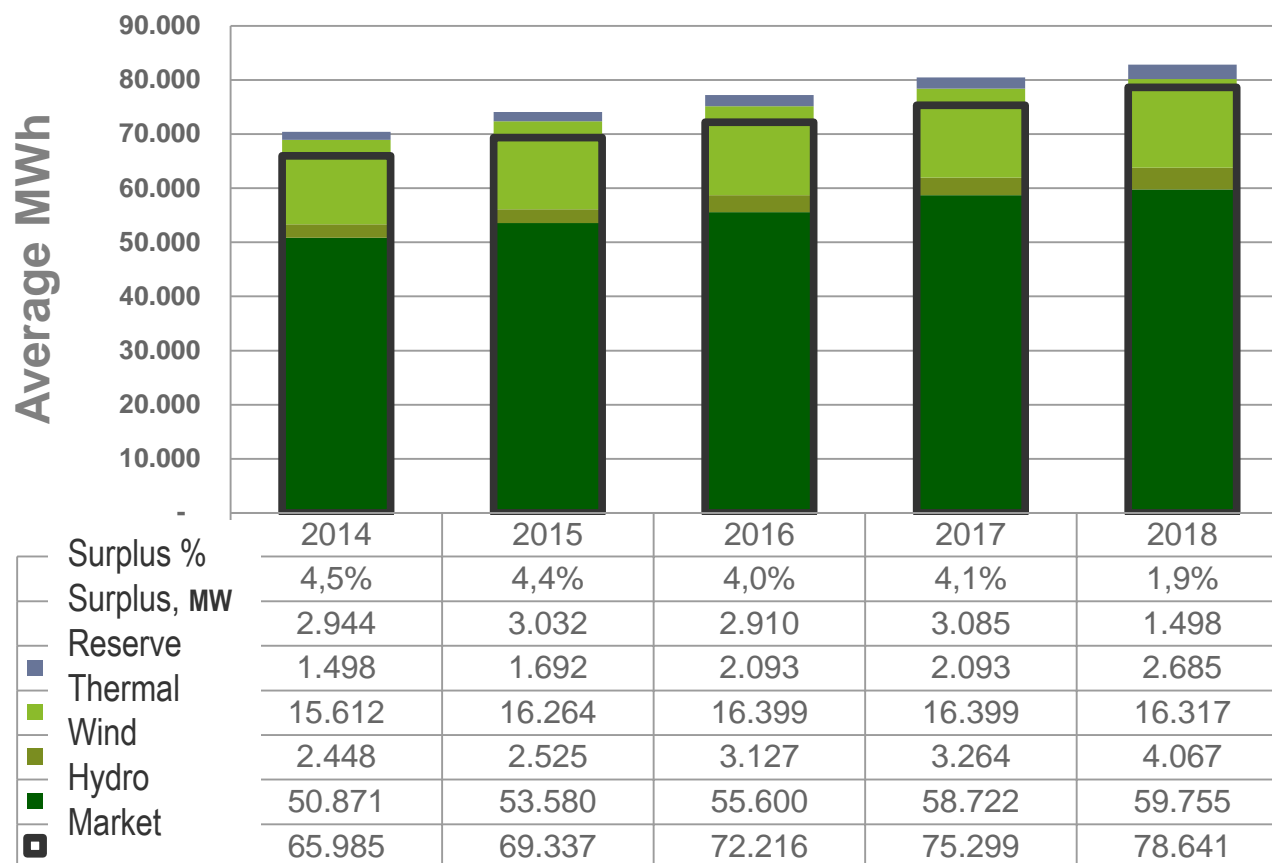


The average price considers Cemig's current generation plant portfolio.

# Brazilian National Grid: projections made in 2014 for 2014 –18



## 2014 Forecast



Source: **PMO, May 2014**; Analysis: Cemig,

Assumes: (i) GDP Growth of 4.8% from 2014–2018 (1<sup>st</sup> four-monthly revision, 2013).

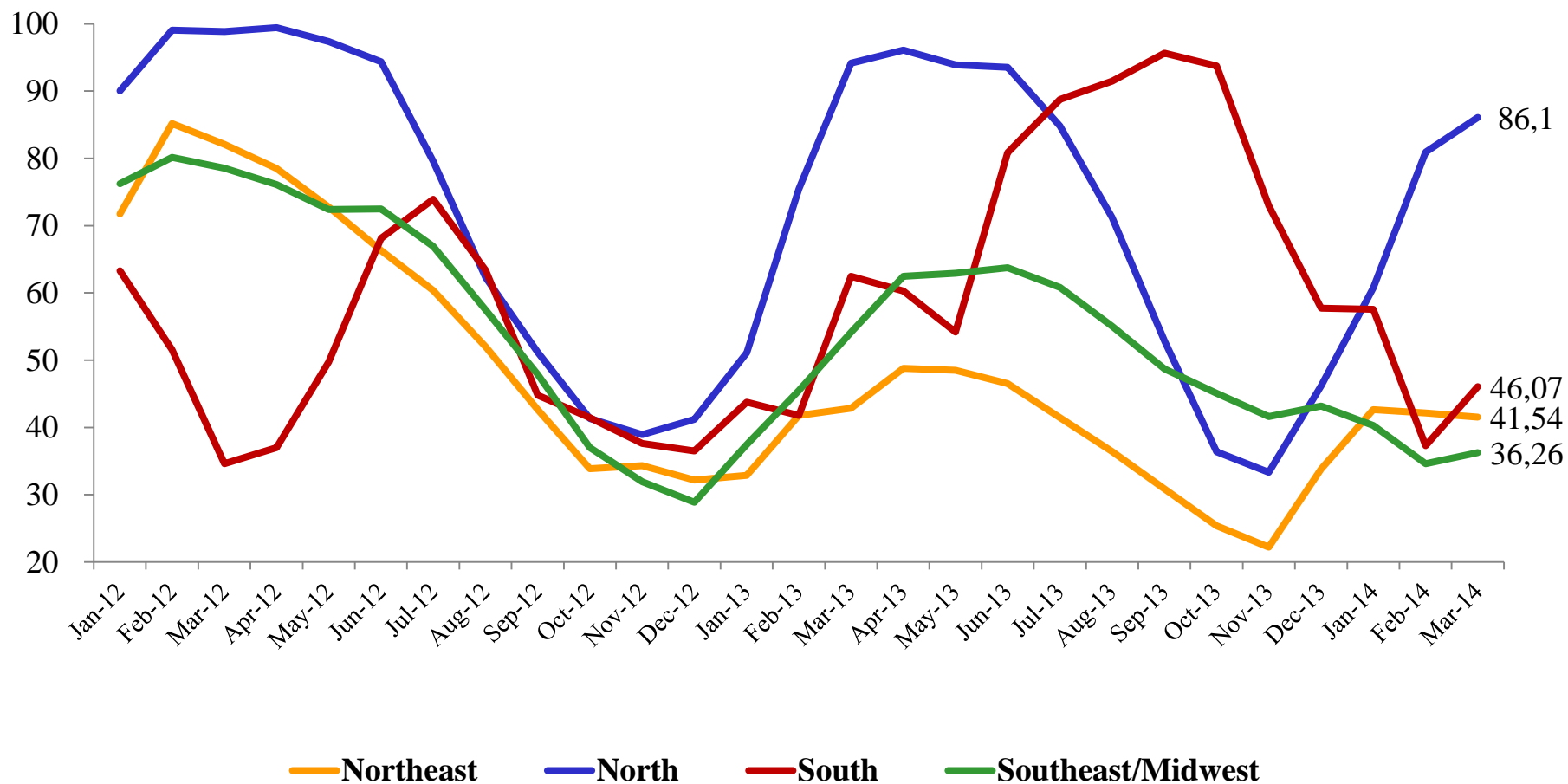
(ii) Excludes thermal projects that sold electricity in new-built energy auctions that were not built.



# Level of reservoirs (%)\*

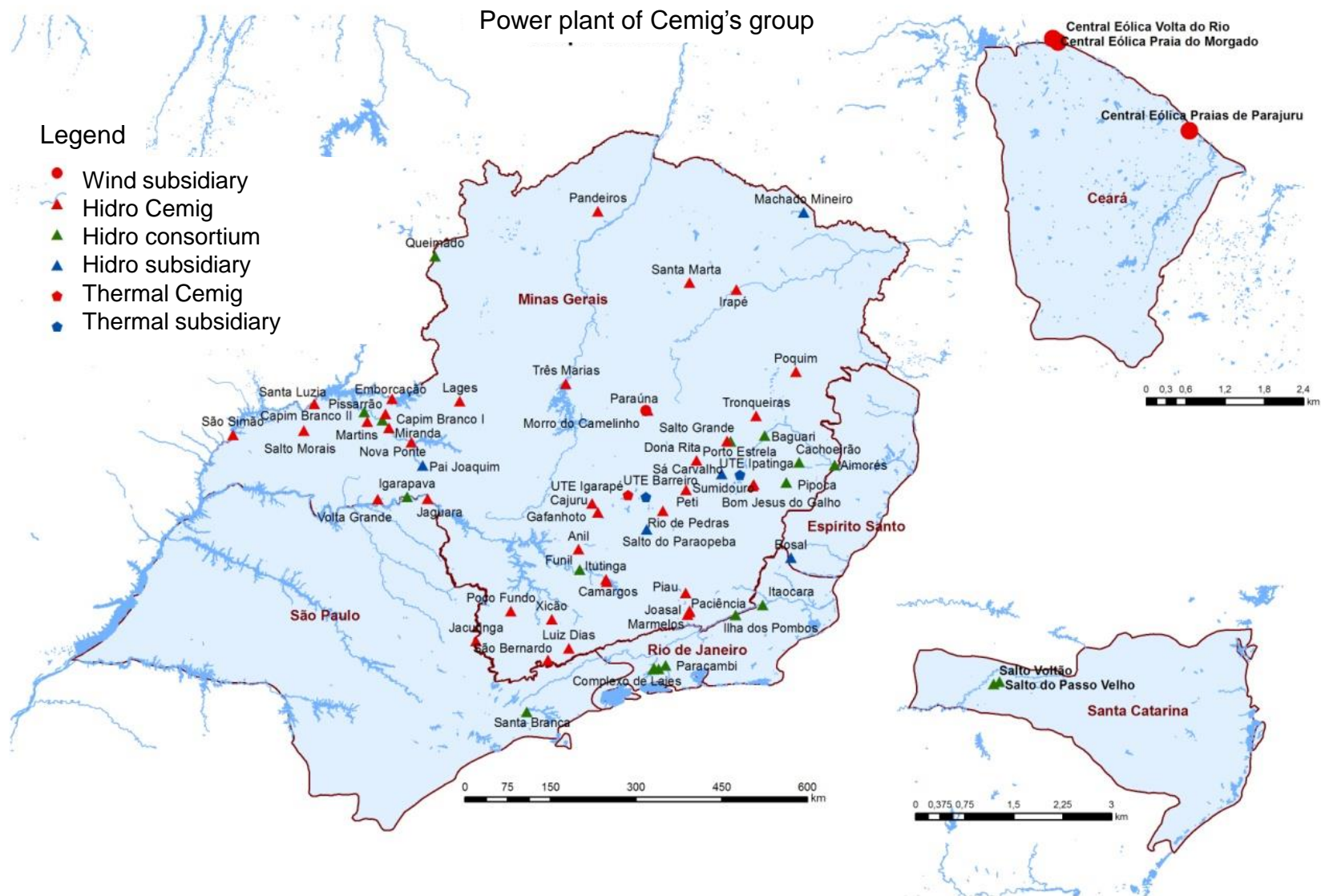


## Level of reservoirs by region (%)



\*Source: ONS

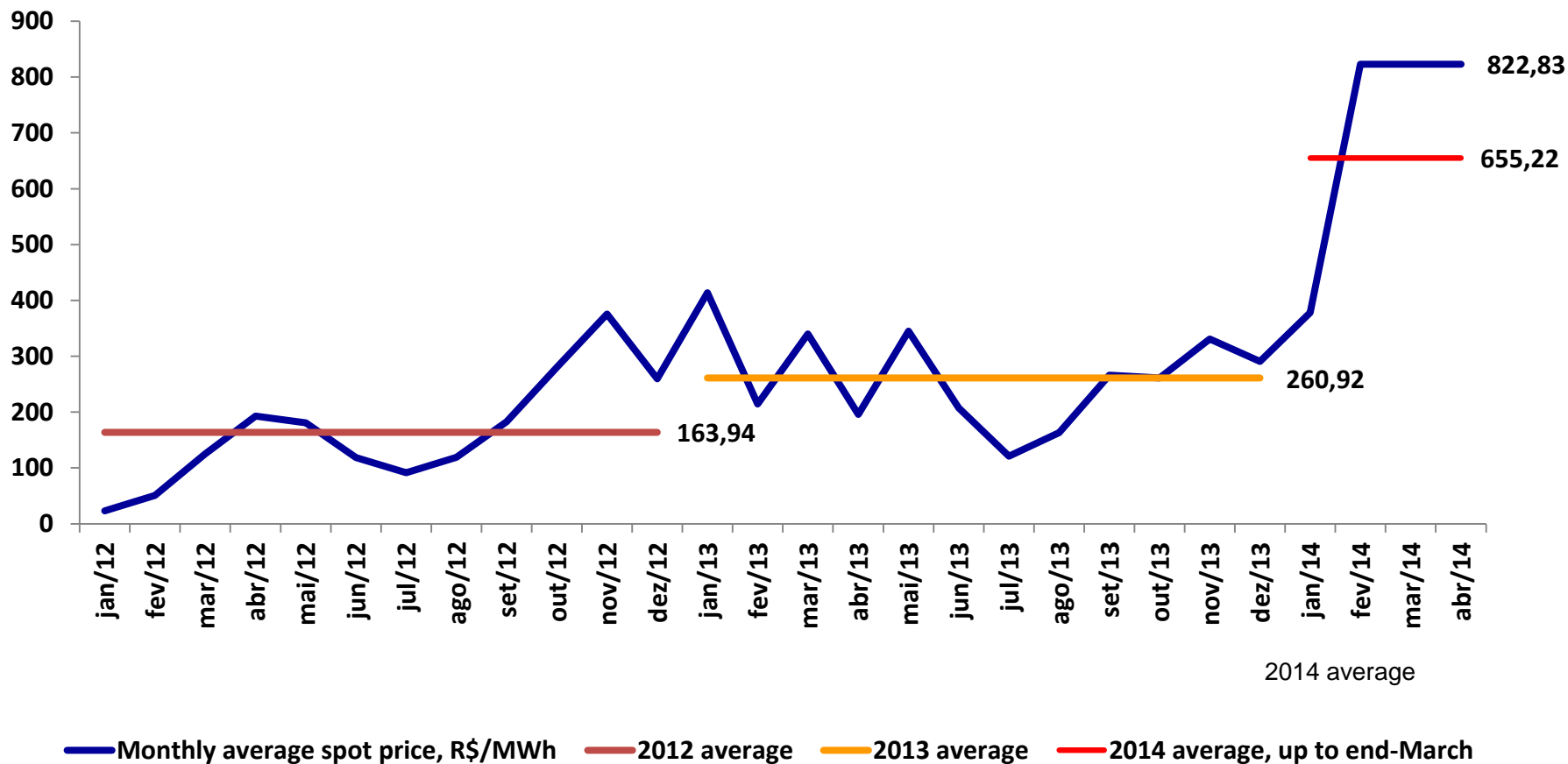
# Minas Gerais state - Main Rivers and Plant



# Spot Market: 2012 – 2014



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



\*Source: CCEE

### Law 12,783/2013 (MP579):

- 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



# Contracts maturing of generation plants



## 2nd maturity:

#	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/2017	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	Cajurú	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 Marta	Jul/2015	1	1
18	SHPP	Poquim	Jul/2015	1	0
<b>TOTAL 2nd renewal</b>				<b>1,064</b>	<b>642</b>

## 1st maturity:

#	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/2013	424	336
3	HPP	Miranda	Dec/2016	408	202
<b>TOTAL 1st renewal</b>				<b>2,542</b>	<b>1,819</b>

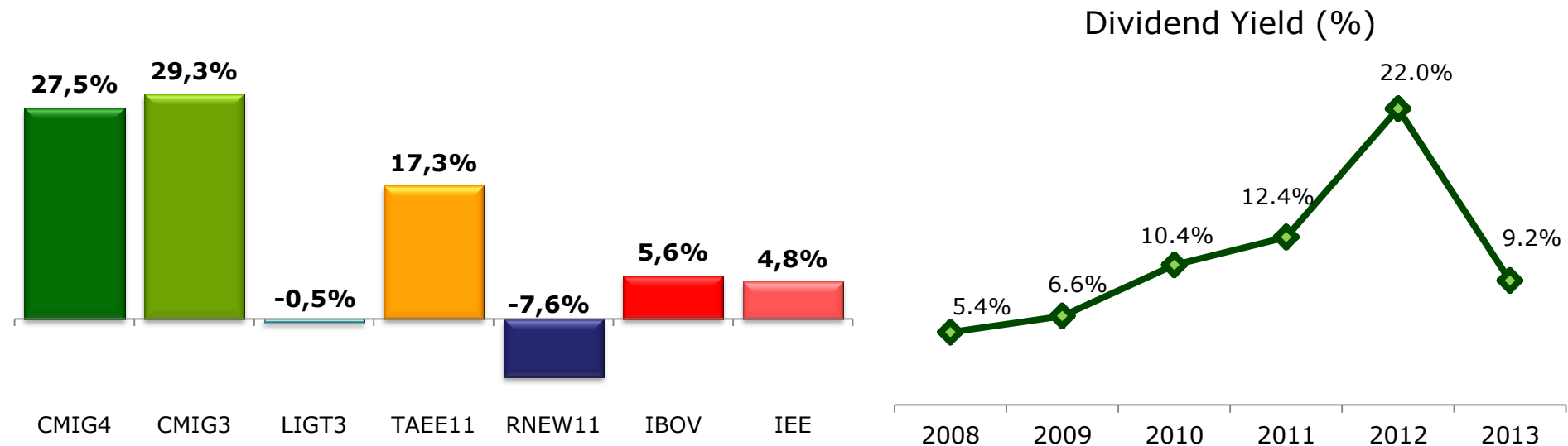
# Contracts maturing of transmission plants



#	Plant	Location	Expiry of concession
<b>TBE</b>			
1	EBTE – LT Juína-Brasnorte	Mato Grosso	out/38
2	ETEP – LT Tucuruí – Vila do Conde	Pará	jun/31
3	ENTE – LTs Tucuruí – Marabá – Açailândia	Pará/Maranhão	dez/32
4	ERTE – LT Vila do Conde – Santa Maria	Pará	dez/32
5	EATE – LT Tucuruí – Presidente Dutra	Pará	jun/31
6	ECTE – LT Campos Novos – Blumenau	Santa Catarina	nov/30
7	STC – LT Barra Grande	Santa Catarina	jun/36
8	Lumitrans – LT Machadinho	Santa Catarina	jul/34
9	ESDE – LT Barbacena2-Juiz de Fora 1 (Projeto em andamento)	Minas Gerais	nov/39
<b>Taesa</b>			
10	TSN	Goiás/ Bahia	dez/30
11	Munirah	Bahia	fev/34
12	Gtesa	Pernambuco/ Paraíba	jan/32
13	Patesa	Rio Grande do Norte	dez/32
14	NVT	Maranhão/Distrito Federal	dez/30
15	ETAU	Santa Catarina/Rio G. do Sul	dez/32
16	ETEO	São Paulo	mai/30
17	Brasnorte	Mato Grosso	mar/38
18	STE	Rio Grande do Sul	dez/32
19	ATE	Paraná/São Paulo	fev/34
20	ATE II	Tocantins/Piauí/Bahia	mar/35
21	ATE III	Tocantins/Pará	mar/36
22	São Gotardo (Projeto em andamento)	Minas Gerais	ago/42
<b>Others</b>			
23	Transchile – LT Charrua – Nueva Temuco	Chile	mai/28
24	Centroeste de Minas – LT Furnas – Pimenta	Minas Gerais	mar/35
25	Rede Básica	Minas Gerais	jul/15
26	Sub-Estação – SE Itajubá – 3	Minas Gerais	out/30
27	Transleste – LT Irapé – Montes Claros	Minas Gerais	fev/34
28	Transudeste – LT Itutinga – Juiz de Fora	Minas Gerais	mar/35
29	Transirapé – LT Irapé – Araçuaí	Minas Gerais	mar/35

# Capital market

## Cemig shares in 2014, up to May 15<sup>th</sup>



## Cemig: More than ever, a global investment option

➤ Stockholders in more than 40 countries

✓ Average daily trading:

- Bovespa: R\$78 million
- NYSE: US\$27 million

➤ Winner of 15<sup>th</sup> annual *Abrasca Award* - Best Annual Report

# Market Recognition



MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM

In DJSI since 1999



Included in Bovespa Corporate  
Sustainability Index.



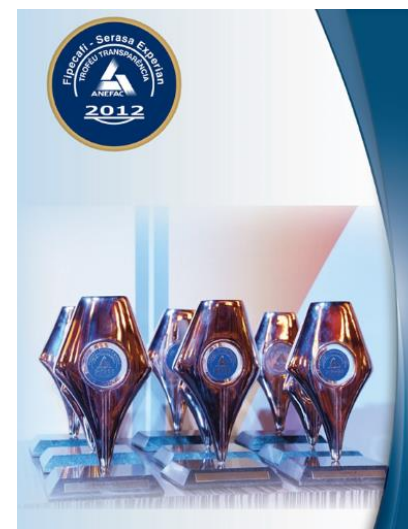
Best Investor Relations  
Utilities 2013



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



Prêmio Anefac  
Transparency Trophy, 2012.

## Investor Relations

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