

XXII

Annual Meeting with
Capital Markets

Reprofiling of Cemig's debt

Adézio de Almeida Lima

Chief Finance and Investor Relations Officer

The CEMIG logo is displayed in green capital letters on a white trapezoidal background. The letter 'E' features a small orange square as a dot.

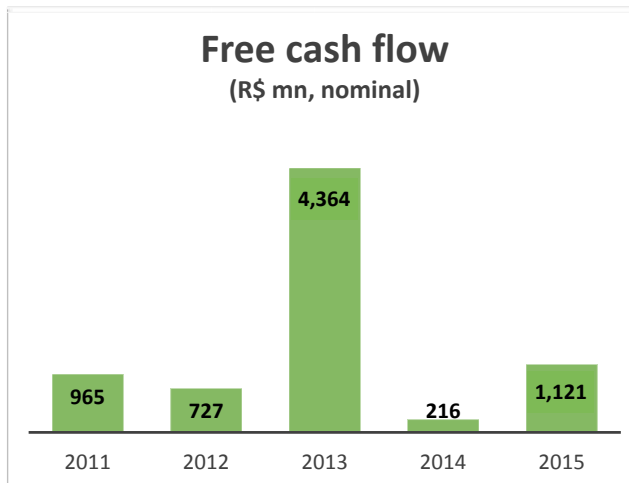
Factors affecting debt increase

- 1 **The most recent growth allowed to build a portfolio of holdings in important energy companies**
 - Cemig invested in various projects to expand its asset portfolio
 - – e.g.: Belo Monte and Santo Antônio hydroelectric plants, Renova and Light

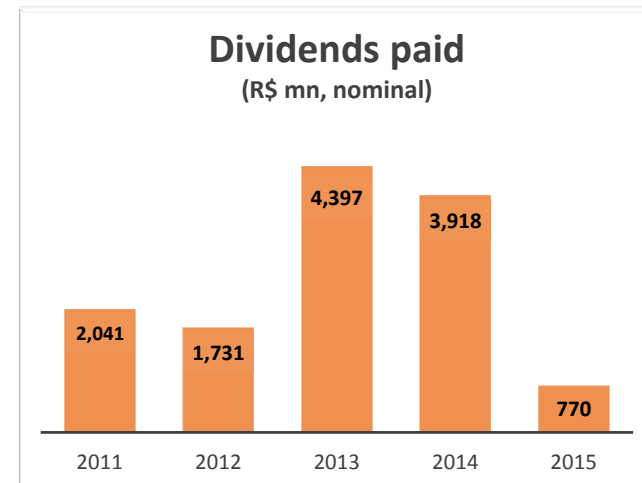
- 2 **Negative impact in recent years due to adverse conditions – political, regulatory and economic**
 - Interaction with regulators on concession renewal of important generation assets
 - Reduction in energy sales and consumption
 - Demand for capital injection into assets undergoing complex situations

Factors affecting debt increase

3 High distribution of dividends:



R\$ 8.4 billion

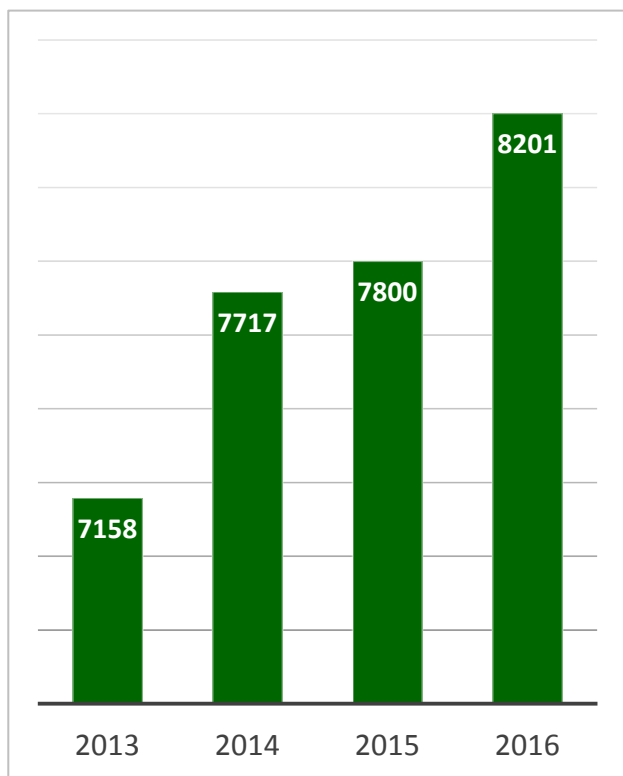


R\$ 12.8 billion

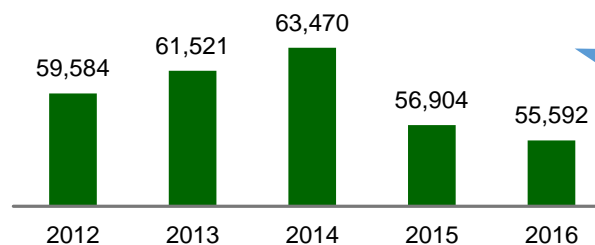
Company expansion

Extremely adverse regulatory and economic context at a time when the company was expanding capacity while generation and demand were declining, negatively impacting margins and cash flow generation.

Installed generation capacity (MW)

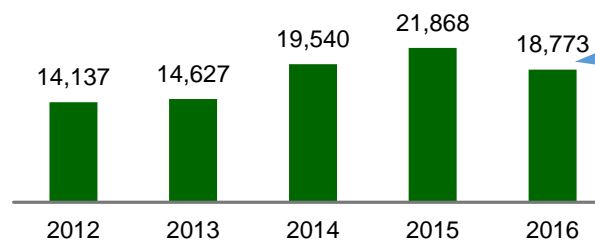


Volume sold¹ (GWh)



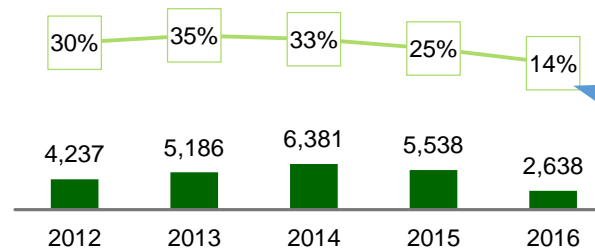
2015 results were impacted by industry slowdown and lower wholesale volume sold to agents in Free and Regulated Markets

Net revenue (R\$ mn)



Aside from lower volume sold, revenue were affected by the transfer of *São Simão* plant to a quota regime

Ebitda (R\$ mn), Ebitda margin (%) – IFRS



Margins were reduced because of higher volume of power purchased for resale, termination of some concessions plants and higher delinquency

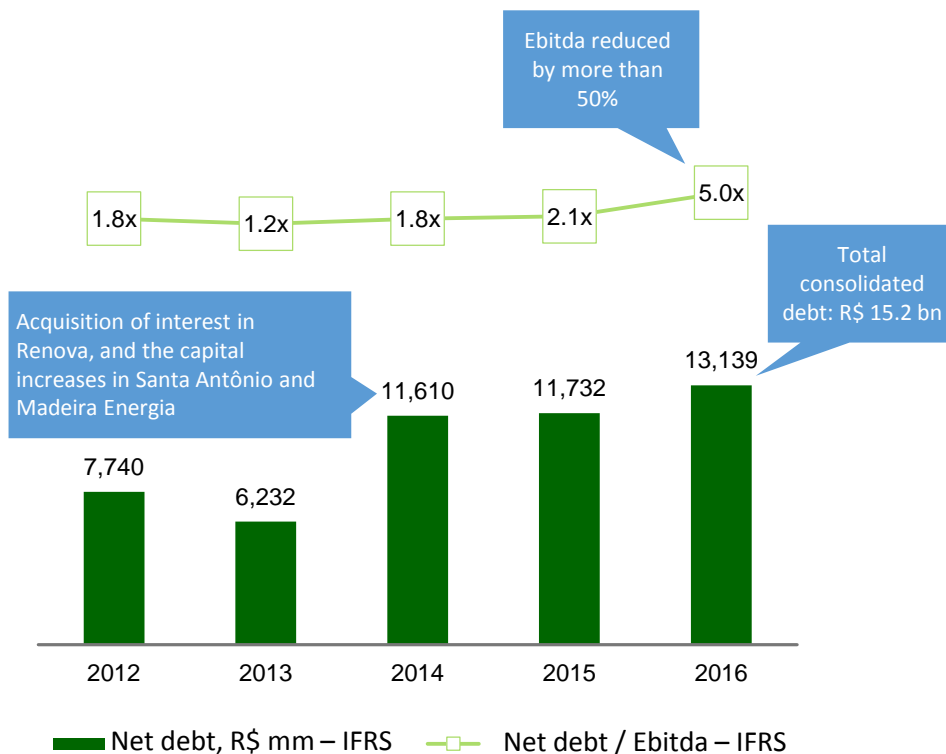
(1) Excludes sales through CCEE (wholesale exchange).

Liquidity and debt

Substantial increase in leverage in recent years, due to:

- investments
- high distribution of dividends
- regulatory changes ...

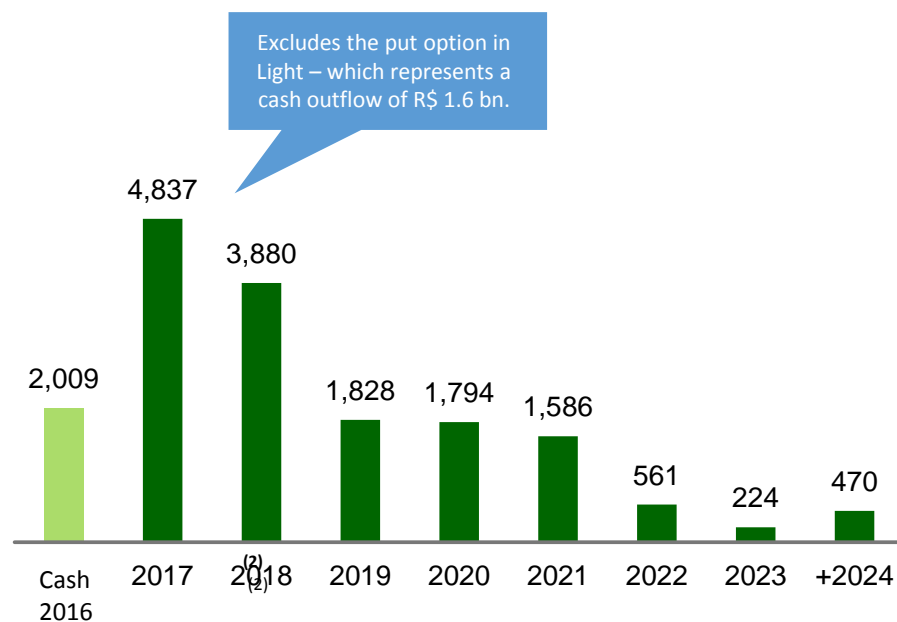
Net debt (R\$ mn) – IFRS



Liquidity and debt

... with significant obligations in coming years:

Debt amortization timetable¹ (R\$ mn)

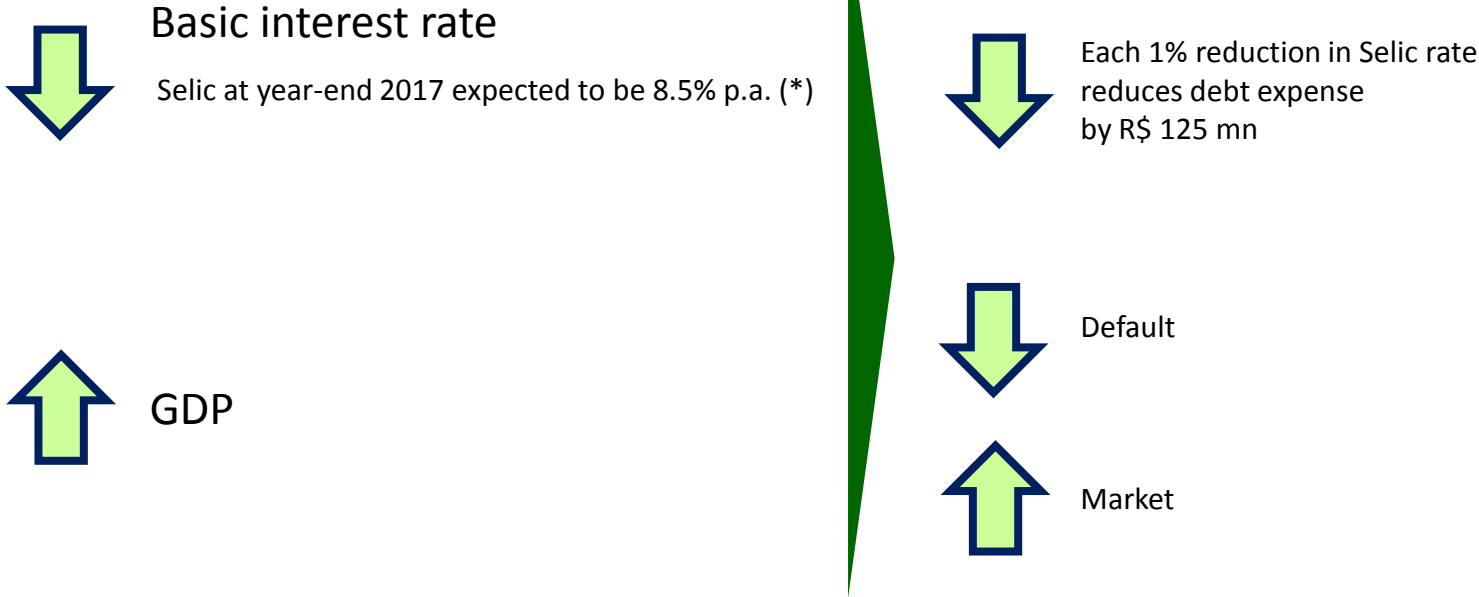


**Even with the measures taken in 2016,
debt continues to be a challenge in context of the obligations over coming years**

Source: Cemig financial statements.

(1) Amortization timetable is for loans and financings only. (2) Cash and short-term investments, at December 2016.

Current macroeconomic scenario



(*) Brazilian Central Bank *Focus* report, May 12, 2017.

Key initiatives

- 1 Execution of divestment strategy
- 2 Voluntary retirement program
 - 1,550 employees : +/- 20% of headcount
- 3 Cost and expense reduction initiatives and operational efficiency improvements
- 4 Eurobond issuance
- 5 Partial payment of put option in Light with linked account funds

Debt evolution in 2016

	Cemig H	Cemig GT	Cemig D
Balance on December 31, 2015	15.167	7.739	7.020
(+) Loans and financings obtained	5.737	3.382	2.250
(+) Monetary and Exchange rate variation	2.301	1.247	1.010
(-) Borrowing costs paid	2.369	1.116	1.209
(-) Amortization of financings	5.592	2.591	2.873
(-) Securities of subsidiary companies	65	27	0
Balance on December 31, 2016	15.179	8.634	6.198

Reais millions

- Increase in Cemig GT reflects financing of R\$ 2.2 bn concession grant fee for the 18 plants of Lot D auctioned by Aneel.
- Cemig D's debt declined.
- Cemig's total consolidated debt remained stable.

Basis for negotiation

- 1 Preserve the Company's liquidity**
 - Reduce refinancing needs in the following years
 - Grace periods and improvement of amortization profile

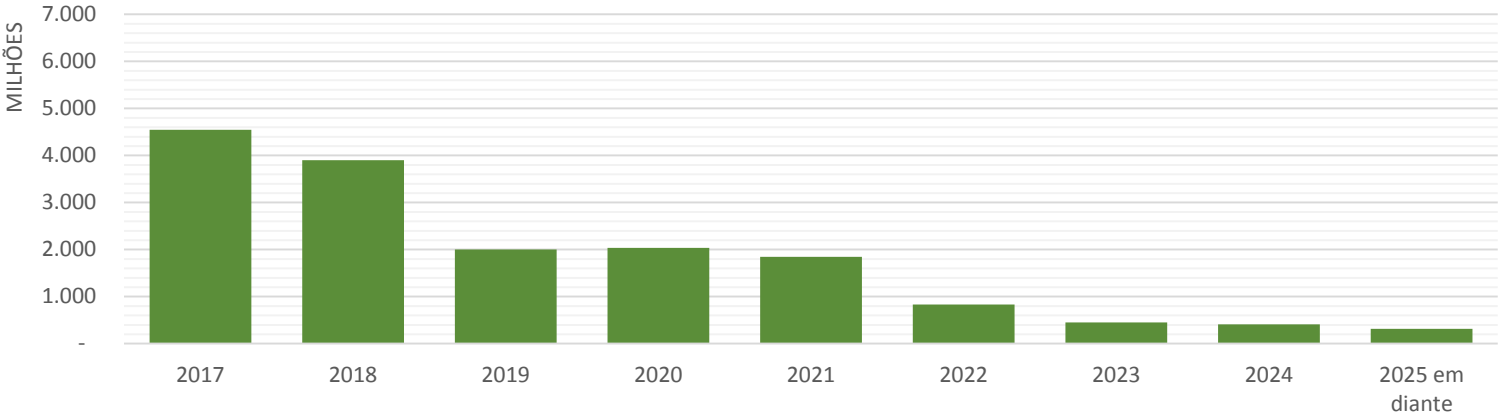
- 2 Commercial negotiation to avoid creditors' losses**
 - Maintain principal and interest payments

- 3 Maintain existing guarantees with banks**

- 4 Negotiations limited to main commercial banks – shift of Cemig's financial flows focused on bilateral and bank-syndicated debt**

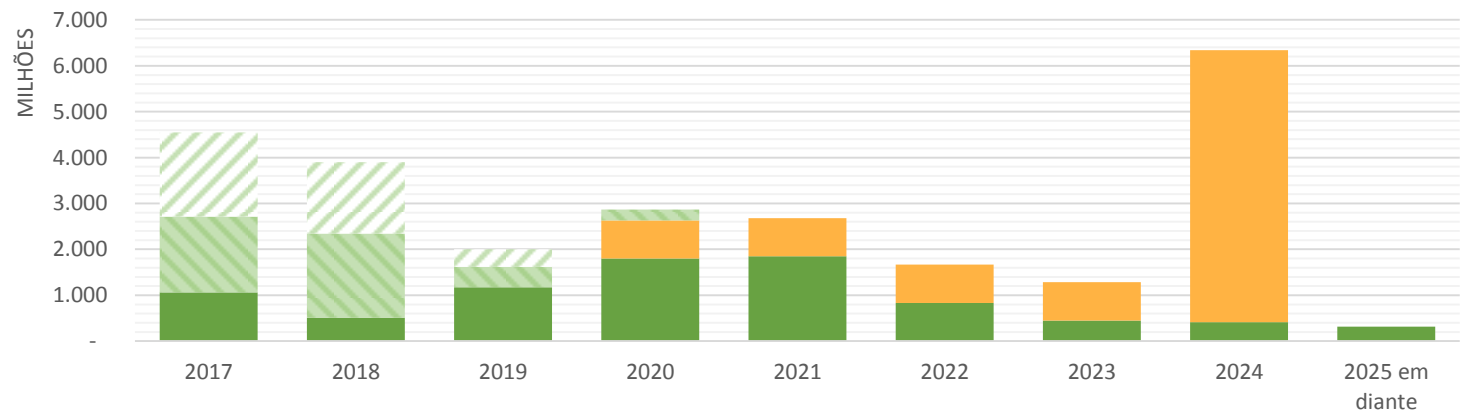
Changing debt profile

Current Debt profile (R\$ MM) (Balance as of December 31, 2016)



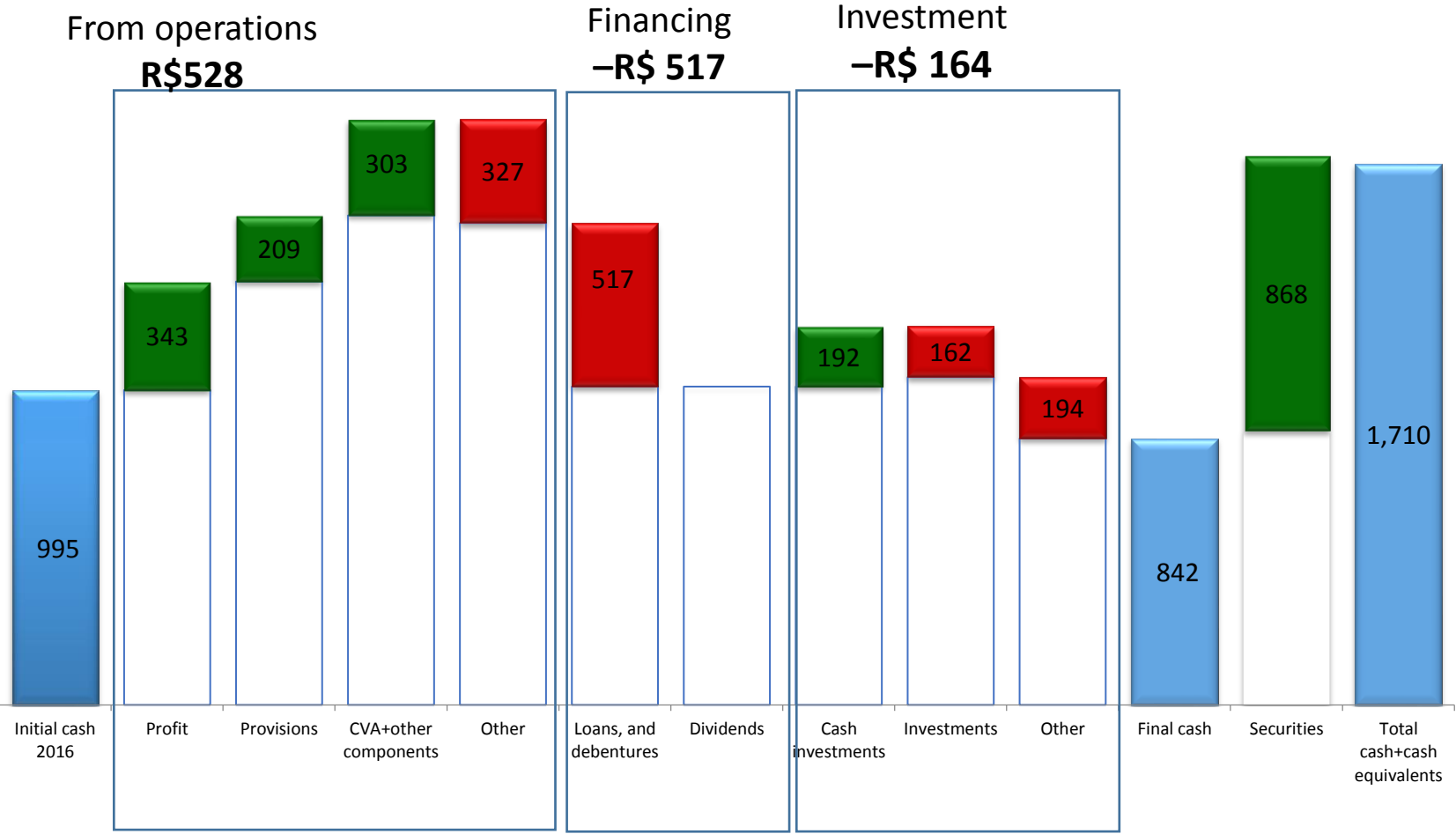
Debt profile proposal: Euobond (7-yr bullet) and banks (3-yr grace period and 5-yr amortization)

Debt profile after refinancing (R\$ MM)



■ Existing debt
 ▨ Refinancing with banks
 ▨ Refinancing with Eurobonds
 ■ New Debt profile

Cash Flow- 1Q17





Investor relations

Tel: +55 (31) 3506-5024

Fax: +55 (31) 3506-5025

ri@cemig.com.br

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

