

# COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

LISTED COMPANY – CNPJ 17.155.730/0001-64 – NIRE 31300040127

## EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS

### CONVOCATION

*January 30, 2014*

**Stockholders are hereby called** to an Extraordinary General Meeting of Stockholders to be held on **January 30, 2014 at 11 a.m.**, at the company's head office, Av. Barbacena 1200, 21st floor, Belo Horizonte, Minas Gerais, Brazil, to decide on the following matters:

- 1) Orientation of vote by the Company's representative at the Extraordinary General Meeting of Stockholders of Cemig Geração e Transmissão S.A. (**Cemig GT**) to be held January 30, 2014, in favor of:
  - i. Ratification of appointment and contracting of Ernst & Young Terco as the specialized company responsible for preparing the Opinion on Economic and Financial Valuation of the generation assets of Brasil PCH S.A., of April 22, 2013, for the purposes of §1 of Article 256 of Law 6404/1976;
  - ii. Approval of the said Valuation Opinion on Brasil PCH S.A.; and
  - iii. Approval of the transaction that results in acquisition of 51% of the common shares of Brasil PCH S.A., through Chipley SP Participações S.A., a company in which Cemig GT owns 40% of the share capital.
- 2) Authorization to concede the right of minority stockholders dissenting in this Extraordinary General Meeting of Stockholders to withdraw from the Company in the event of the situation referred to by Paragraph 2 of Article 256 of Law 6404/1976, that is to say, in the event that the price paid for the shares of Brasil PCH S.A. exceeds one and a half times the book value of that company, valued at market prices.

Any stockholder who wishes to be represented by proxy at this General Meeting of Stockholders should obey the terms of Article 126 of Law 6406/76, as amended, and the sole paragraph of Clause 9 of the Company's Bylaws, depositing, preferably by January 28, 2014, proofs of ownership of the shares, issued by a depositary financial institution, and a power of attorney with specific powers, at Cemig's Corporate Executive Secretariat Office at Av. Barbacena, 19th floor, B1 Wing, Belo Horizonte, Minas Gerais, or producing them at the time of the meeting.

Belo Horizonte, December 19, 2013

Dorothea Fonseca Furquim Werneck

Chair of the Board of Directors

**PROPOSAL**  
**BY THE BOARD OF DIRECTORS**  
**TO THE**  
**EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON JANUARY 30, 2014**

Dear Stockholders:

The Board of Directors of Companhia Energética de Minas Gerais (Cemig),

– *In view of* the following facts and considerations –

- a) Cemig Geração e Transmissão S.A. (“**Cemig GT**”) has signed a share purchase agreement with Petróleo Brasileiro S.A. (“**Petrobras**”), with the signature as consenting parties of Companhia Energética de Minas Gerais (**Cemig**) and Brasil PCH S.A. (**Brasil PCH**), such agreement governing acquisition (“**the Transaction**”) by Cemig GT or by a company in which it has an interest (“**the Purchaser**”) of the 49% of the common shares in **Brasil PCH** that were held by Petrobras (“**the Brasil PCH Share Purchase Agreement**”).
- b) The stockholders’ agreement of Brasil PCH provides for the possibility of the other stockholders exercising a right of first refusal in the event of disposal of the shares in Brasil PCH, or, further, a right of joint sale, or “tag-along right”.
- c) The Brasil PCH Share Purchase Agreement made it obligatory for the Purchaser to provide the right of tag-along and the right of first refusal to the other common stockholders of Brasil PCH – namely: Eletroriver S.A. – (“**Eletroriver**”) (34.3%), BSB Energética S.A. (“**BSB**”) (14.7%) and Jobelpa S.A. (“**Jobelpa**”) (2%).
- d) At the demand of Cemig GT, exercise of the tag-along right by Jobelpa was stipulated in the Brasil PCH Share Purchase Agreement as a condition precedent for completion of the Transaction.
- e) the Board of Directors has authorized alteration of the total value of the Transaction,
 

from

R\$ 1,321,091,000.00 (one billion three hundred twenty one million ninety one thousand Reais)

to an amount less than or equal to

R\$ 1,326,530,617.71 (one billion three hundred twenty six million five hundred thirty thousand six hundred seventeen Reais and seventy one centavos)

in the event of acquisition of up to 100% of the common shares in Brasil PCH, if there is exercise of the right of tag-along by all the other stockholders of Brasil PCH.
- f) the Board of Directors authorized provision of a guarantee by Cemig of all the obligations and commitments under the Brasil PCH Share Purchase Agreement, under which Cemig would be jointly liable as principal debtor, and not merely as guarantor, to the same extent

that, and on the same conditions as those on which, the Purchaser is liable (“the Surety Guarantee”).

- g) Clause 15.7 of the Brasil PCH Share Purchase Agreement allows assignment of the position, rights and obligations of Cemig GT under that Agreement, prior to the date of completion, at the exclusive option of Cemig GT, without the need for consent from Petrobras, to a company, already constituted or to be constituted, in which Cemig GT would have shares or unit shares representing at least 40% of the share capital, the surety guarantee given by Cemig remaining fully valid and in effect.
- h) Cemig GT entered into an Investment Agreement with RR Participações S.A. (“**RR**”), Light Energia S.A. (“**Light**”), Renova Energia S.A. (“**Renova**”) and Chipley SP Participações S.A. (“**Chipley**”), to provide, among other matters, for:
  - i. procedures for increase of the capital of Chipley, in such a way that Cemig GT would become holder of 40% of the voting and total stock of Chipley;
  - ii. assignment of the Brasil PCH Share Purchase Agreement to Chipley;
  - iii. increase in the capital of Renova, to be subscribed entirely by Cemig GT;
  - iv. and acquisition of 51% or 100%, as the case may be, of the common shares in Brasil PCH by Chipley.
- i) Concomitantly with the Investment Agreement, Cemig GT and Chipley entered into a Term of Assignment of the PCH Brasil Share Purchase Agreement, to which Cemig, Renova and Renovapar S.A. (“**Renovapar**”) were consenting parties, containing, among other commitments, the following:
  - i. Commitment by Chipley to assume the position of the Purchaser of the Shares, becoming subrogated in all the rights and obligation of Cemig GT in the Brasil PCH Share Purchase Agreement, also taking on responsibility for all the costs and obligations assumed by Cemig GT in the process of negotiation, formalization, and conclusion of the acquisition of the shares in Brasil PCH.
  - ii. The surety guarantee provided by Cemig in the Brasil PCH Share Purchase Agreement would remain valid and effective, thenceforth favoring Chipley.
  - iii. Under a **Counter-Guarantee Contract** entered into on the same date by the same parties that signed the Term of Assignment of the Brasil PCH Share Purchase Agreement, **Renova** and **Renovapar** undertook that in the event that the guarantee given by Cemig is executed, they will assign all the shares that they hold in Chipley to Cemig or to whatever party Cemig may indicate, in consideration of a payment of R\$ 1,200.00 (one thousand two hundred Reais), duly updated.
- j) On October 28, 2013, **Petrobras** sent notice to Chipley stating that, within the procedures for the disposal by Petrobras of its common shares in Brasil PCH, when the period for exercise of the first refusal and tag-along rights specified in the Stockholders’ Agreement of Brasil PCH had expired, the ‘Original Stockholding Block’, comprising the companies **Eletroriver** and **BSB**, had not given any notice to Petrobras in relation to exercise of those rights, resulting in release of Petrobras, by the Original Stockholding Block, to sell its shares to Chipley. In relation to **Jobelpa**, Petrobras reported that on June 25, 2013 Jobelpa stated its desire to exercise its tag-along right, and had signed the Term of Adherence to the PCH Share Purchase Agreement (previously signed by Petrobras and Cemig GT, and assigned to **Chipley**).
- k) To regulate the acquisition by **Chipley** of the shares held by **Jobelpa** in Brazil PCH, it was in the interest of both parties that a specific share purchase agreement should be entered into,

rather than their merely entering into a Term of Adherence to the Brasil PCH Share Purchase Agreement.

- l) It was required that the transaction of purchase of the shares owned by Jobelpa should be submitted, for consent and approval, to the Brazilian monopolies authority (*Conselho Administrativo de Defesa Econômica* – CADE) and the Brazilian electricity regulator (National Electricity Agency, *Agência Nacional de Energia Elétrica* – Aneel), simultaneously with the process of approval and consent to the purchase of Petrobras's shares, since the transactions were conditionally linked.
- m) The period for submission to Aneel of the request for consent to the transaction involving acquisition of the shares in Brasil PCH ran until November 4, 2013, since the notice referred to in sub-item "j" above was received on October 28, 2013.
- n) On November 1, 2013, **Chiple** and **Jobelpa** entered into a share purchase agreement ("**the Jobelpa share purchase agreement**") governing the acquisition by **Chiple** of the 2% of the voting stock of **Brasil PCH** owned by **Jobelpa**, with **Cemig** as guarantor.
- o) As a consequence of the transaction involving exercise of a tag-along right, resulting from the disposal of the shares in Brasil PCH owned by Petrobras, the **Jobelpa share purchase agreement** contains the same obligations, rights and guarantees as the Brasil PCH Share Purchase Agreement: it is substantially the same as the Petrobras document, changing only the name of the purchaser, the name of the vendor, the percentage interest involved and the number of common shares, the acquisition price (the unit price of the share being maintained); and excluding the references not applicable to the Jobelpa share purchase agreement, such as the concession of the tag-along and first-refusal rights of the other stockholders of Brasil PCH.
- p) As well as the alterations above, the Jobelpa share purchase agreement will not have Brasil PCH as a consenting party. This is because participation by Brasil PCH with this status in the share purchase agreement signed with Petrobras was questioned by the stockholders of Brasil PCH that were members of the Original Block, who stated disagreement with the concept of Brasil PCH signing a contract in which it has no right or obligation.
- q) Since **Eletrobrás** and **BSB** did not exercise the right of first refusal, and **Jobelpa** exercised only the tag-along right (right of joint sale), in relation to the common shares that it owned, the transaction has taken the form of an acquisition of 51% of the voting stock of Brasil PCH.
- r) Under Article 256 of Law 6404/1976, indirect acquisition by Cemig GT of control of Brasil PCH requires authorization by the General Meeting of Stockholders, since the purchase price constitutes a material investment for the Purchase, as specified in Article 247, sole subparagraph, of that Law.
- s) The large quantity of the assets of Brasil PCH makes it impracticable to contract and carry out an assessment of the book value of that company at market prices, within the period between confirmation by Petrobras of the first refusal and tag-along rights and the closing of the transaction.
- t) It not being possible to evaluate whether or not the price paid for the shares of Brasil PCH exceeds one and a half times the book value of the company at market prices, as specified in Paragraph 2 of Article 256 of Law 6404/1976, consequently this circumstance confers the right to withdraw from the Company upon any stockholders that dissent at the General

Meeting of Stockholders that decides on the indirect acquisition by Cemig GT of the control of Brasil PCH.



– *now proposes to you as follows:*

1. Orientation for the representative of the Company at the Extraordinary General Meeting of Stockholders of Cemig GT to be held on January 30, 2014, to vote in favor of :
  - a) ratification of the appointment and contracting of Ernst & Young Terco, CNPJ 59.527.788/0001-31, with head office in São Paulo at Avenida Juscelino Kubitschek 1830, Torre II, 6th Floor, CEP 04543-900, as the specialized company responsible for preparation of the Opinion on the Economic and Financial Valuation of the generation assets of Brasil PCH S.A., of April 22, 2013, for the purposes of Paragraph 1 of Article 256 of Law 6404/1976.
  - b) Approval of the Valuation Opinion on Brasil PCH S.A., referred to above.
  - c) Approval of the transaction that results in acquisition of 51% of the common shares of Brasil PCH S.A., an unlisted company with head office at Rua São Bento 8, 8<sup>th</sup> Floor, Centro, Rio de Janeiro, Rio de Janeiro State, CNPJ/MF 07.314.233/0001-08, its articles of association being filed with the Commercial Board of Rio de Janeiro State (*Jucerja*), under NIRE No. 33.300275-681, through Chipley SP Participações S.A., a company in which Cemig Geração e Transmissão (Cemig GT) owns 40% of the share capital.
2. Authorization to concede the right of minority stockholders dissenting in this Extraordinary General Meeting of Stockholders to withdraw from the Company in the event of the situation referred to by Paragraph 2 of Article 256 of Law 6404/1976, that is to say, in the event that the price paid for the shares of Brasil PCH S.A. exceeds one and a half times the book value of that company, valued at market prices.

As can be seen, the objective of this proposal is to meet legitimate interests of the stockholders and of the Company, and as a result it is the hope of the Board of Directors that you, the stockholders, will approve it.

Belo Horizonte, December 19, 2013

Dorothea Fonseca Furquim Werneck

Tadeu Barreto Guimarães

Djalma Bastos de Moraes

Bruno Magalhães Menicucci

Arcângelo Eustáquio Torres Queiroz

Luiz Augusto de Barros

Guy Maria Villela Paschoal

Marina Rosenthal Rocha

Joaquim Francisco de Castro Neto

Newton Brandão Ferraz Ramos

Saulo Alves Pereira Junior

Tarcísio Augusto Carneiro

## Appendix 1

Opinion on Economic and Financial Valuation of the generation assets of Brasil PCH S.A (in Portuguese)



# Companhia Energética de Minas Gerais S.A.

Transação: Aquisição dos ativos de geração da Brasil PCH S.A.  
pela CEMIG

Avaliação Econômico-Financeira de ativos de geração da  
Brasil PCH

Data-base: 31 de dezembro de 2012

22 de abril de 2013

Estritamente confidencial

Belo Horizonte, 22 de abril de 2013

**Companhia Energética de Minas Gerais S.A.**

Av. Barbacena, 1200

CEP: 30190-131

Belo Horizonte/MG

Prezados Senhores.

Conforme solicitação de V.Sa., apresentamos o Laudo de avaliação econômico-financeira dos ativos de geração de energia hidrelétrica da **Brasil PCH S.A.** (doravante denominada “**Brasil PCH**” ou “**Empresa**”), referente ao eventual processo de aquisição pela **Companhia Energética de Minas Gerais S.A.** (doravante denominado “**CEMIG**”), na data-base de 31 de dezembro de 2012.

O objetivo do presente trabalho é estimar o valor justo de alguns ativos de geração da **Brasil PCH**, a fim de auxiliar no processo interno de decisão da Administração da **CEMIG** quanto à eventual aquisição destes ativos.

Este Laudo contempla objetivo, escopo, procedimentos e metodologia por nós utilizados, bem como as premissas mercadológicas e operacionais que envolveram o cálculo da estimativa/expectativa de valor justo dos ativos de geração da **Brasil PCH**.

Este Laudo foi preparado em observância ao disposto no §1º do artigo 256 da Lei 6.404/76, que referencia o §1º do artigo 8º da mesma Lei, bem como em suas alterações posteriores.

Os ativos de geração da **Brasil PCH** são compostos por 13 (treze) PCHs (Pequenas Centrais Hidrelétricas), doravante denominados “**Empreendimentos**”. O valor justo dos **Empreendimentos** foi estimado com base na projeção dos fluxos de caixa futuros dos **Empreendimentos** e, sendo assim, a estimativa/expectativa de valor justo dos mesmos foi baseada na metodologia de Fluxo de Caixa Descontado (FCD), sob a ótica do *Free Cash Flow to Equity* (FCFE).

A denominação e o período projetivo considerado para cada PCH avaliada é apresentado no Capítulo 5 deste Laudo.

Como resultado final do presente trabalho, obtivemos a estimativa/expectativa do valor justo de 100% dos ativos de geração da **Brasil PCH** de aproximadamente R\$ 1.317.838 mil (um bilhão, trezentos e dezessete milhões, oitocentos e trinta e oito mil reais).

Adicionalmente, apresentamos um cenário de sensibilidade, com o intuito de auxiliar na análise da viabilidade do investimento levando em consideração uma taxa de desconto de 8,0%, calculada internamente pela **CEMIG**, considerando a metodologia de FCFE (*Free Cash Flow to Equity*), cujo valor totaliza aproximadamente R\$ 1.321.091 mil (um bilhão, trezentos e vinte e um milhões, e noventa e um mil reais) para os ativos de geração da **Brasil PCH**. Não obstante, simulamos algumas variações nas taxas de desconto conforme solicitado pela Administração da **CEMIG**. O detalhamento de todas as premissas sensibilizadas pode ser observado no Capítulo 8 deste Laudo.

Agradecemos a oportunidade de colaborarmos com a **CEMIG** e a atenção dispensada pelos seus executivos e funcionários durante a execução deste trabalho. Caso haja quaisquer dúvidas ou necessidade de informações adicionais, entre em contato com o Sr. Sérgio B. Dutra de Almeida ou com o Sr. Otávio A. A. Bachir pelo telefone (+55) 21 3263 7243.

Atenciosamente.



Sérgio B. Dutra de Almeida  
Sócio  
Ernst & Young Terco



Otávio A. A. Bachir  
Gerente Sênior Executivo  
Ernst & Young Terco



Diego Moreira  
Gerente  
Ernst & Young Terco



Felipe Miglioli - Revisor Independente  
Gerente Sênior Executivo  
Ernst & Young Terco