

# Great opportunities in challenging scenarios



**2Q14 results**

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These expectations are based on the present assumptions and analyses from the point of view of our management, in accordance with their experience and other factors such as the macroeconomic environment, and market conditions in the electricity sector; and on expected future results, many of which are not under Cemig's control.

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

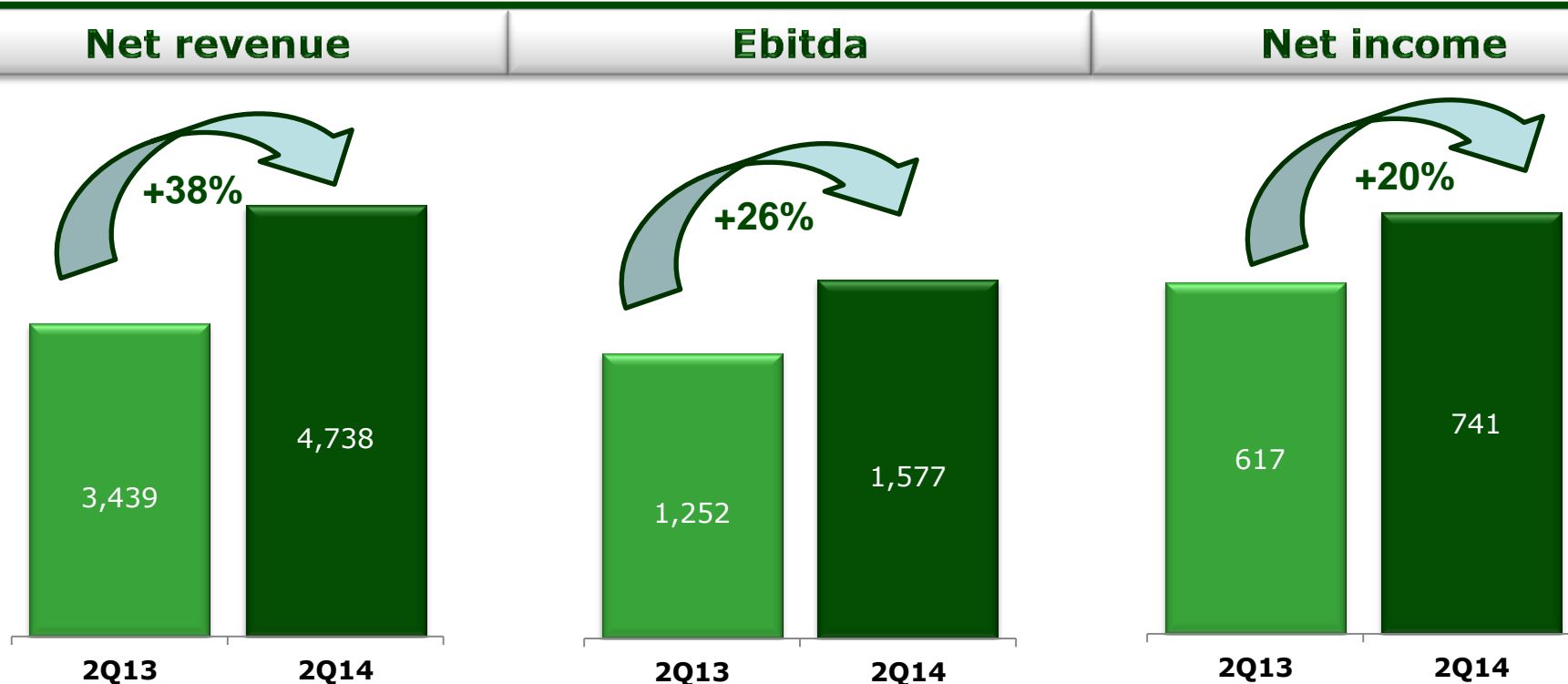
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In this material, financial amounts are in R\$ million (R\$ mn) unless otherwise stated.

Financial data reflect the adoption of IFRS.

# Results in 2Q14 (IFRS)



## Strategic decisions power Cemig's results

- Sales in spot market boost revenue
- Ebitda reflects the Cemig Group's operational efficiency
- Stockholdings help increase net income

# Highlights of 2Q14

- **Acquisition of 49.9% of the total capital of Retiro Baixo Energética**
- **Increase in Cemig's stake in Gasmig**
  - ✓ This acquisition is part of Cemig's strategy of value's creation, in partnership with **Gás Natural Fenosa ('GNF')**, of **Gás Natural do Brasil S.A. ('GNB')**,
    - to be a platform for consolidation of assets and investments in natural gas projects.
- **Increased stake in Santo Antônio Energia S.A.**
- **Cemig and Renova sign contract to build wind farms**
- **Extraordinary dividends of R\$ 1.7 billion**
  - ✓ R\$ 1.1 billion paid on July 8, 2014
  - ✓ R\$ 604 million to be paid on September 30, 2014

# The Jaguara and São Simão plants

## ➤ The São Simão Hydroelectric Plant

- Cemig has applied to the Mining and Energy Ministry for extension of the period of concession of the São Simão Plant.

## ➤ The Jaguara Hydroelectric Plant

- On August 14, 2014 the Higher Appeal Court (STJ) once again adjourned judgment on Application for Mandamus No. 20432/DF



The Jaguara Plant



The São Simão Plant

# Cemig's Generation portfolio

Cemig – generation capacity, in MW*						
STATUS	HYDRO	SHP <sup>(1)</sup>	WIND	SOLAR	THERMAL	TOTAL
IN OPERATION	6,954	259	70	1	184	7,468
UNDER CONSTRUCTION / CONTRACTED	1,177	29	153	1	-	1,360
TOTAL	8,131	288	223	2	184	8,828

(1) SHP: Small Hydro Plants

## ➤ Santo Antônio hydroelectric plant (Cemig stake: 10%)

- ✓ Acquisition of interest held by Andrade Gutierrez in SAAG
- ✓ 28 rotors in commercial operation, producing approximately 2,000 MW

## ➤ Belo Monte hydroelectric plant: in progress (Cemig interest 8.12%)

- ✓ 24 rotors scheduled for commercial startup February 2015; full project completion: January 2019

## ➤ Renova: wind farms

- Under construction
  - Alto Sertão II Complex (567.7 average MW)
- Contracted
  - Alto Sertão III Complex (363.2 average MW);

and 17 wind farms (183.9 average MW) contracted in the 2013 A–5 Auction

\* These figures show only the direct and indirect interest of Cemig on March 31, 2014. See Cemig's 2Q14 Earnings Release for more details and other projects.

## Continuous effort for transparency and innovation

- ***Included in principal world sustainability ratings / indices***
  - DJSI World, ISE of BM&FBovespa, Oekom Research, Sustainalytics, Vigeo, others
- ***2013 Annual and Sustainability Report***
  - Available in IOS and Android formats for mobile media
- ***Carbon Management in the Value Chain program***
  - Suppliers trained to build Greenhouse Gases Emissions Inventory



# Natural gas: promising future

## Operational segments

Industry



Residential



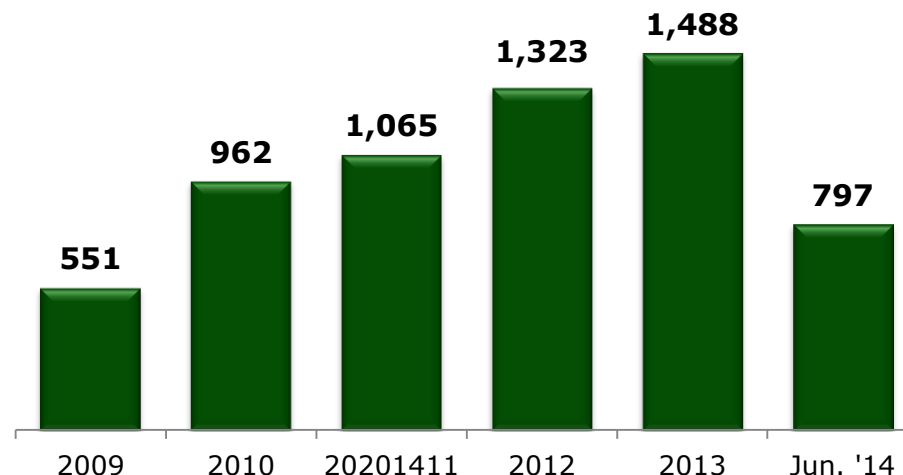
General use



Vehicle natural gas



Volume of natural gas sold (million m<sup>3</sup>)



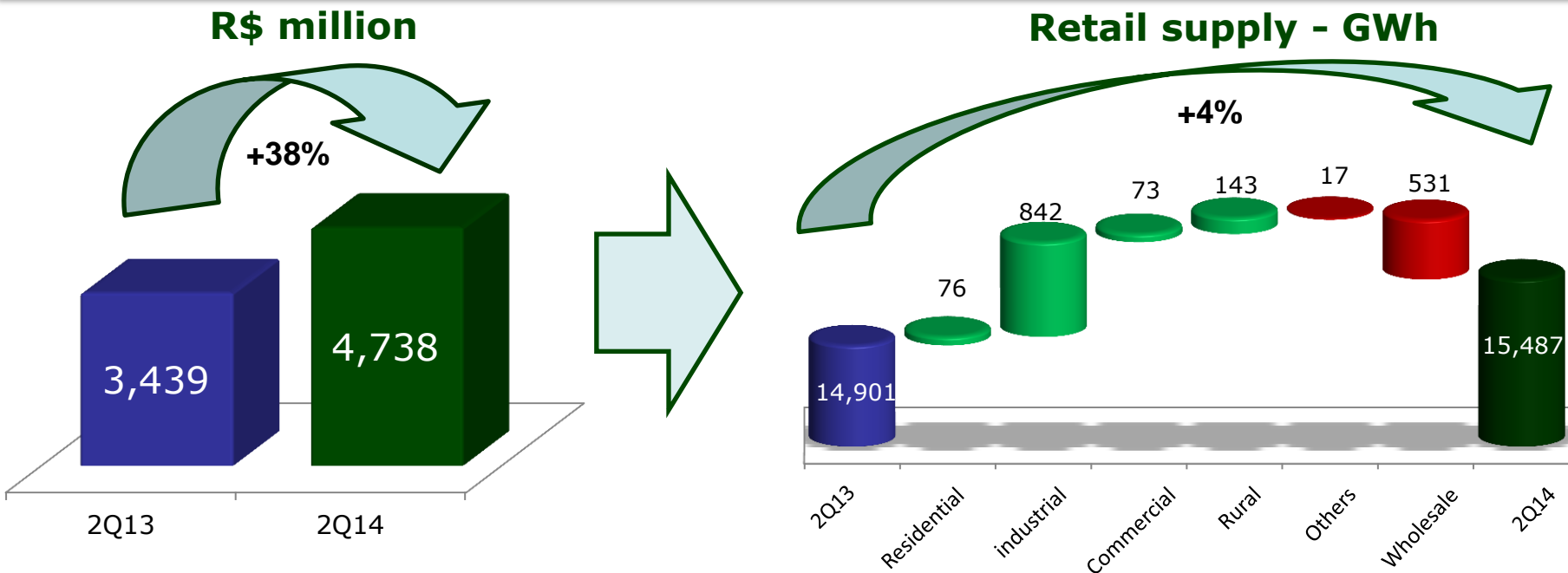
- **Brazil's largest gas distribution pipeline: construction plans begun**
  - ✓ – to serve the “Minas Triangle” and Center-West of Minas Gerais State
- **1H14 gross revenue R\$ 835 million – up 12% from 1H13 (R\$ 745 million)**
- **Natural gas volume sold in 1H14 (797 million m<sup>3</sup>): up 5.89% from 1H13 (752mn m<sup>3</sup>)**
- **Number of clients now 1,750**
  - ✓ 1,373 are residential





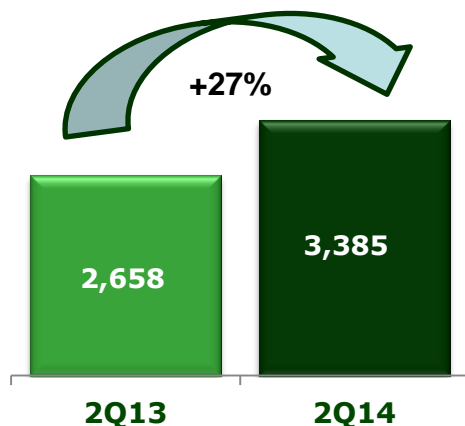
# **2Q14: Cemig's Results in detail**

# Consolidated net revenue



- **Growth in revenue reflects Cemig's sales strategy**
  - ✓ Higher volume of sales in spot market
  - ✓ 2Q14 gains boosted by high spot market price
- **Strong increase in number of clients, 2Q13–2Q14**
  - ✓ In Cemig GT – Growth 26% : 106 industrial clients
  - ✓ In Cemig D – Growth 3.5% : 269,000 new consumers connected

# Operational expenses



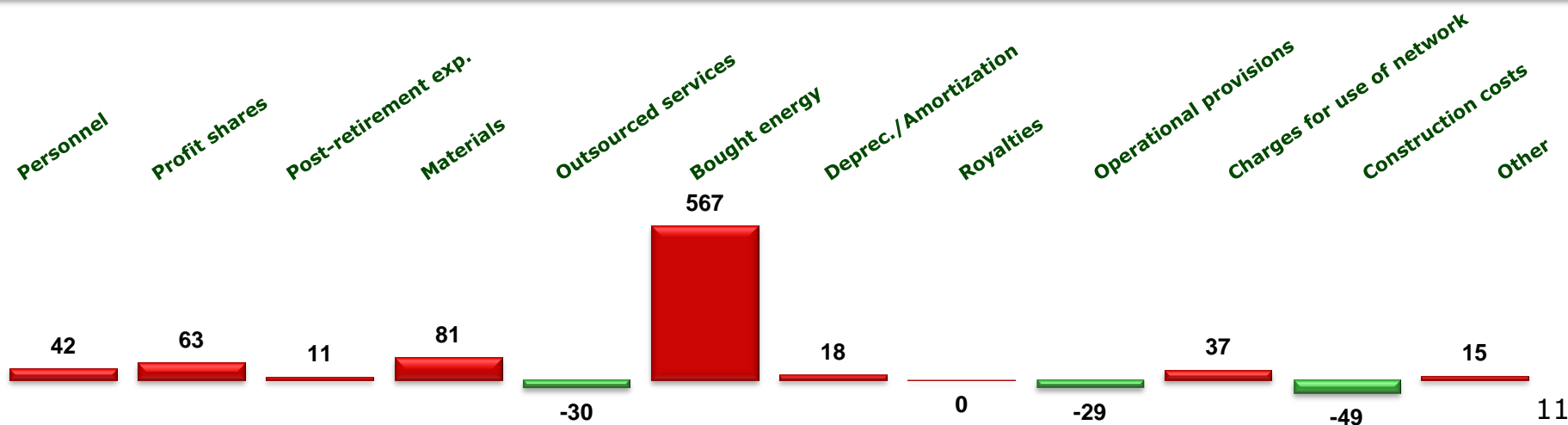
## Funding received from CDE Account – up to June 2014

- R\$ 1.470 billion: reimbursement of extra cost of electricity purchased R\$ 1.195 billion of this total has been received
  - ✓ R\$ 836 million in 1Q14; R\$ 634 million in 2Q14

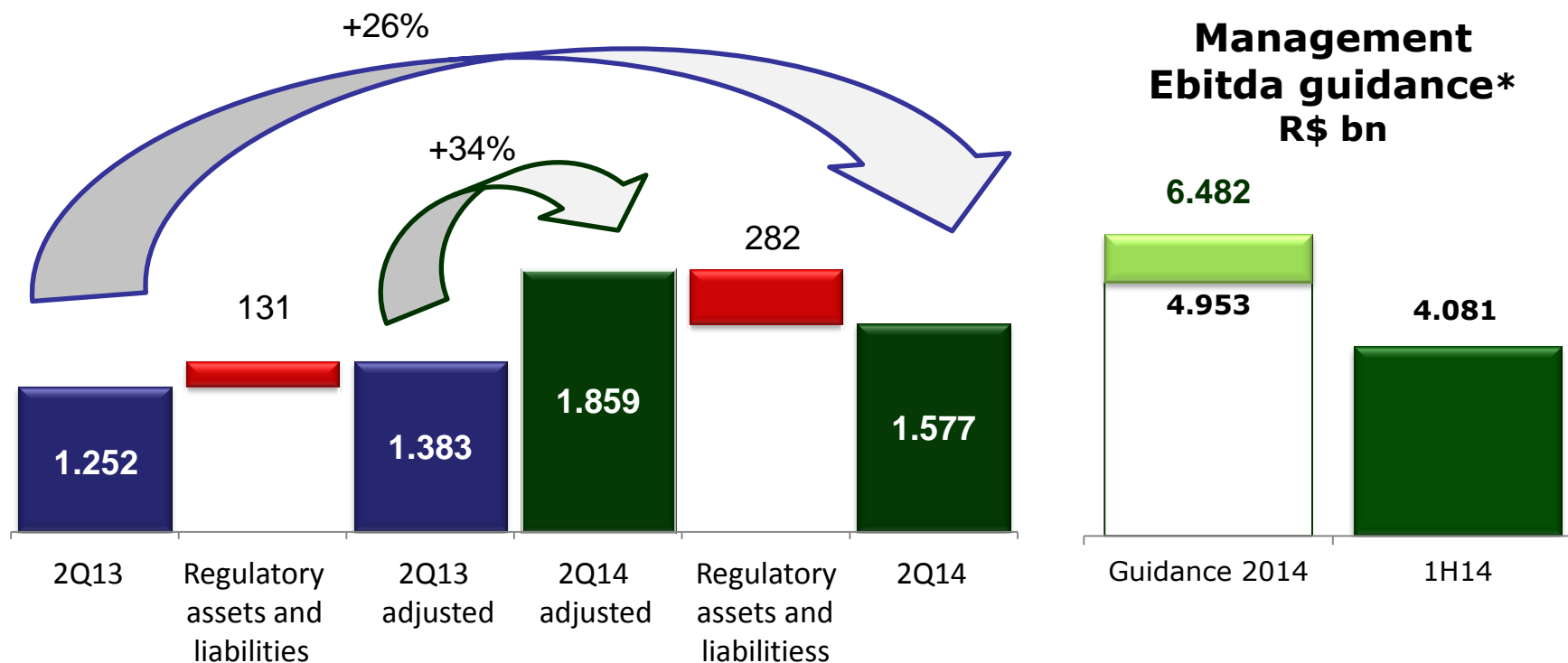
## R\$ 558 million accounted in assets:

- R\$ 284 million as reimbursement of tariff subsidies
  - ✓ R\$ 136 million in 1Q14, and R\$ 103 million in 2Q14
- R\$ 274 million as reimbursement for costs of electricity purchased

## Consolidated expenses: Changes from 2Q13 to 2Q14



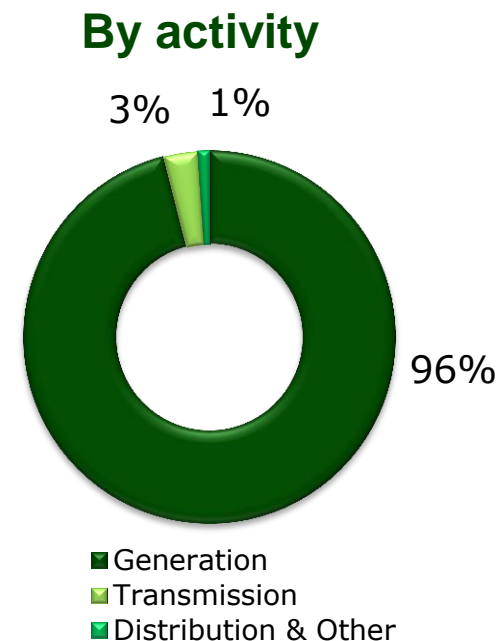
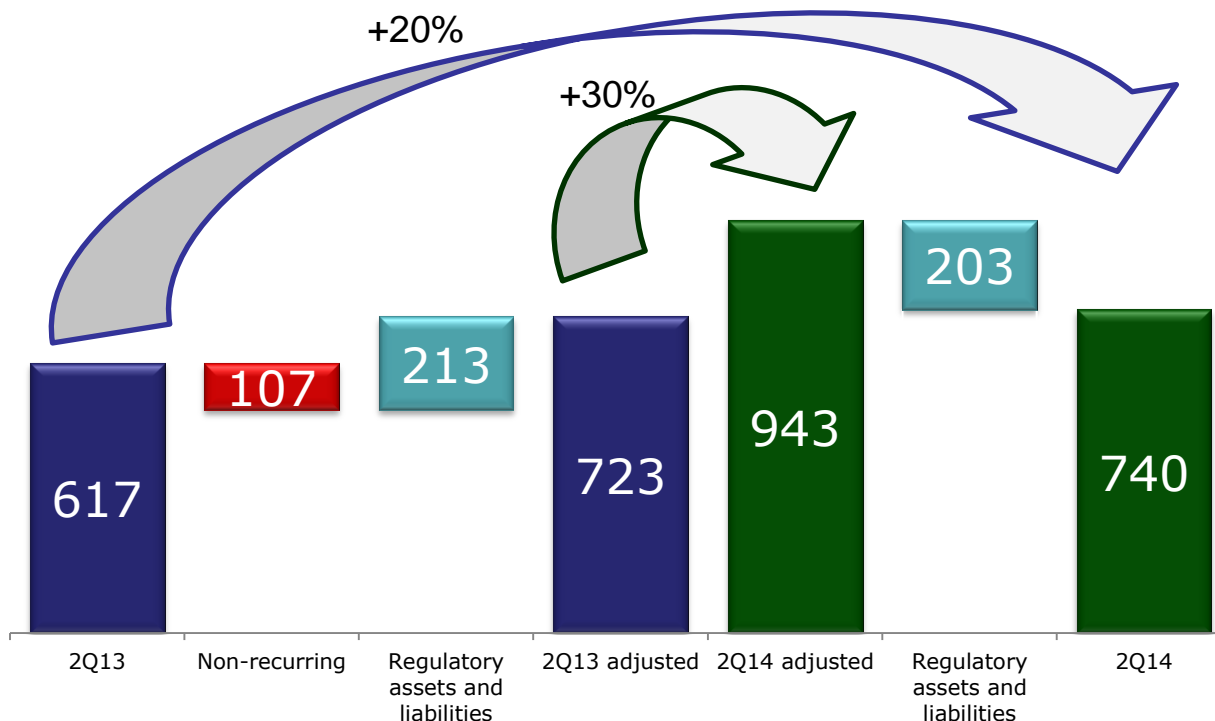
# Consolidated Ebitda



- **Ebitda: 18% in 2Q14 comes from equity interests**
- **Already 82.4% of lower limit of 2014 guidance**

\*Calculation of Ebitda uses the proportional consolidation adopted in Cemig's guidance given to 19<sup>th</sup> annual Cemig/Apimec meeting with investors.

# Consolidated net income



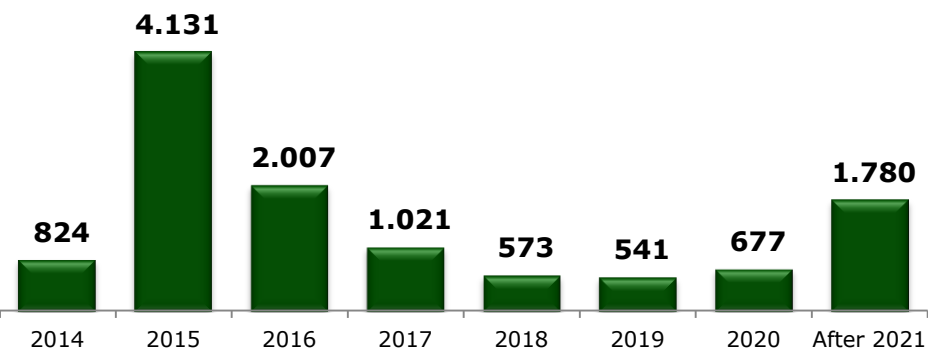
➤ **Commitment to returns for the stockholder:  
translates into growing profits**

✓ Stockholdings provide 13% of net income in 2Q14.

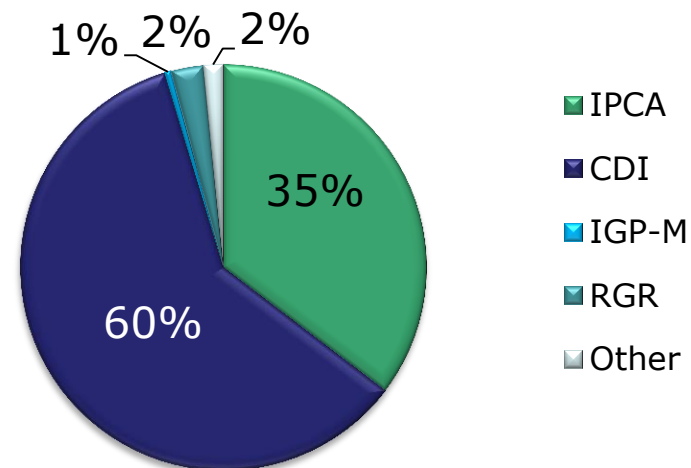
# Consolidated debt profile

**Maturities timetable R\$billion**  
**Average tenor: 3.9 years**

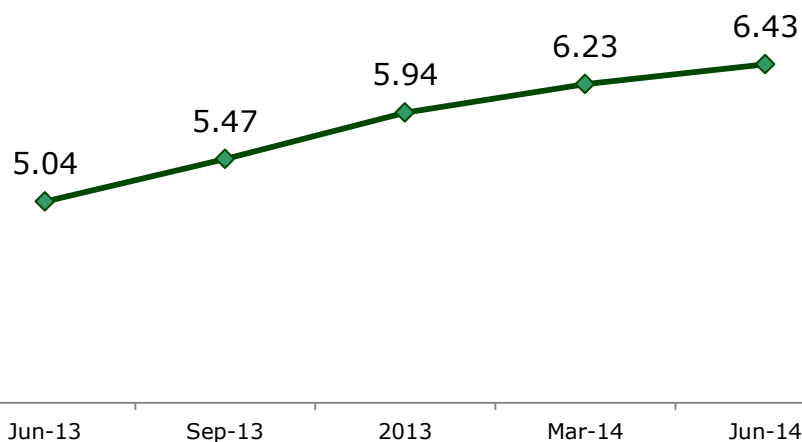
**Total net debt: R\$ 8.3 billion**



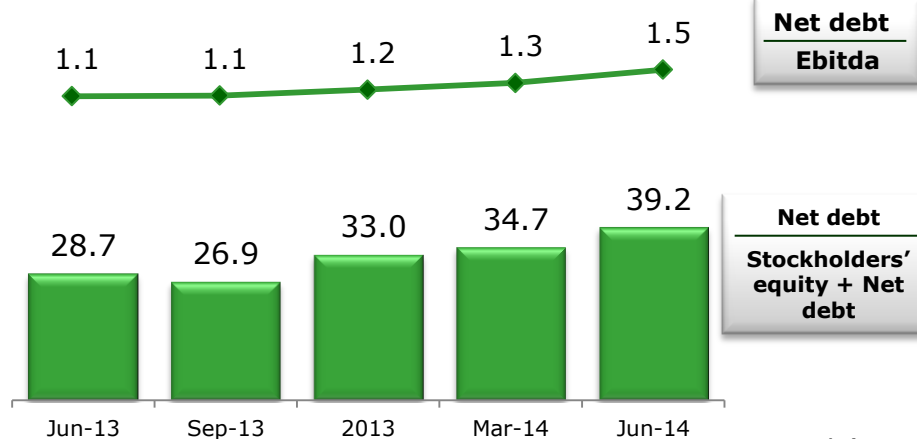
**Main indexes**



**Average real cost of debt - %**



**Leverage - %**



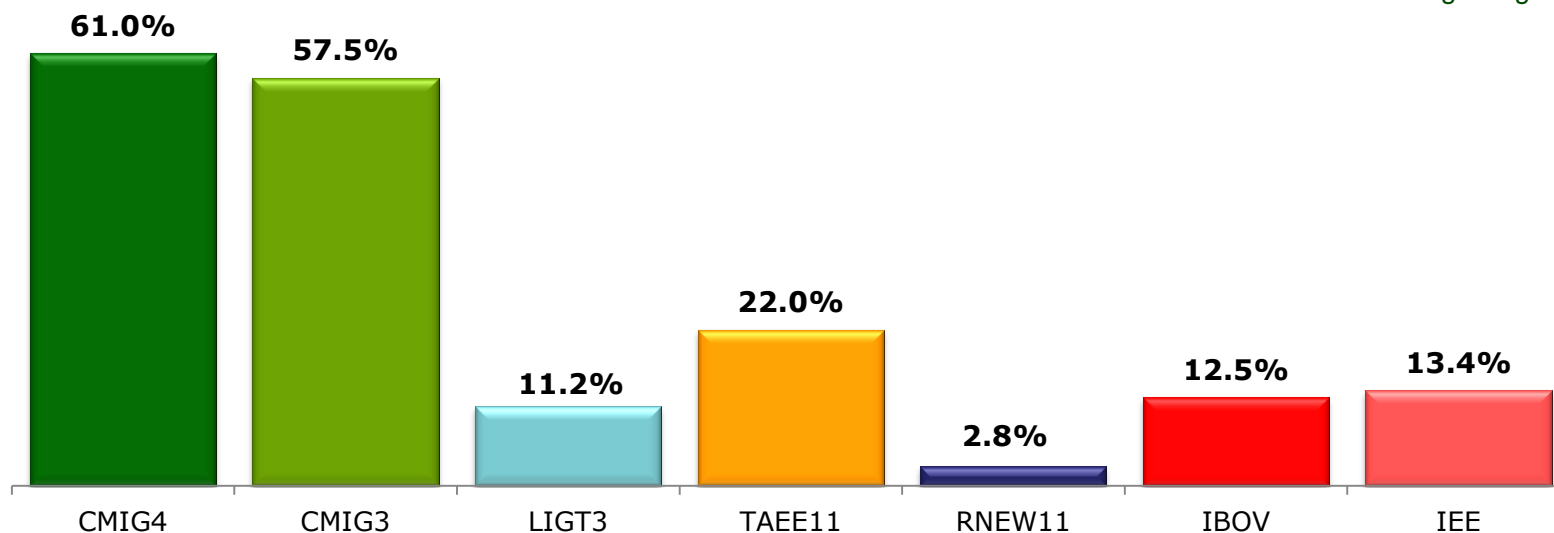
R\$ '000	2014	
	Planned	Actual to end June
<b>GENERATION</b>	<b>2,440,771</b>	<b>2,270,043</b>
Investment program	89,394	19,690
Cash injections	2,351,377	2,250,354
<i>Acquisition of Brasil PCH</i>	739,943	739,943
<i>Renova</i>	810,129	810,129
<i>Investment in SAAG</i>	610,269	610,269
<i>Others</i>	191,036	90,013
<b>TRANSMISSION</b>	<b>138,166</b>	<b>52,801</b>
Investment program	138,166	52,801
<b>CEMIG D</b>	<b>1,150,205</b>	<b>470,630</b>
Investment program	1,150,205	470,630
<b>CEMIG H</b>	<b>9,164</b>	<b>7,492</b>
Investment program	1,672	-
Cash injections	7,492	7,492
<b>TOTAL INVESTMENTS – CEMIG</b>	<b>3,738,306</b>	<b>2,800,966</b>



## ➤ Prepared for the opportunities

Cash flow statement	June 14	June 13
<b>Cash at start of period</b>	<b>2,202</b>	<b>1,919</b>
<b>Cash from operations</b>	<b>2,183</b>	<b>1,940</b>
Net income	1,991	1,483
Depreciation and amortization	385	387
Gain on disposal of investments	-	(284)
Equity gain (loss) in subsidiaries	(136)	(251)
Other adjustments	(57)	605
<b>Financing</b>	<b>531</b>	<b>(3,478)</b>
Loans, financings, debentures obtained	3,129	2,442
Payment of loans and financings	(1,062)	(3,232)
Interest on Equity, and dividends	(1,536)	(2,688)
<b>Investment</b>	<b>(2,928)</b>	<b>1,249</b>
CRC account (received from Minas Gerais State government)	-	2,466
Investments	(2,260)	1,352
Fixed and intangible assets, and others	(668)	(2,569)
<b>Cash at end of period</b>	<b>1,988</b>	<b>1,630</b>
<b>Total cash</b>	<b>3,268</b>	

Source: Economática – Jan. 1 through August 5, 2014.



## Strong dividend policy

- Dividend Yield of 15.96% in July 2014
- Cemig decided to pay extraordinary dividend of R\$ 1.7 billion – corresponding to R\$ 1.35 per share
  - ✓ R\$ 1.1 billion paid on July 8, 2014
  - ✓ R\$ 604 million to be paid September 30, 2014

- ***Best Investor Relations, Utilities*** – IR Magazine 2014 Brazil Awards
- **Apimec Award 2014** – Professional Category of Investor Relations
- ***2014 Transparency Trophy***
  - ✓ Winner in category ‘Listed Company with billing above R\$ 5 billion’
- **‘Best Brazilian company in electricity sector, 2014’** – IstoÉ Dinheiro Magazine
- **Latam Stars Index: only energy sector company included**
  - ✓ New Latam stock index assesses sustainability of companies’ management

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