

XXII

Annual Meeting with Capital Markets

Guidance

Executive responsible: Eduardo Henrique Campolina Franco



Disclaimer

Certain statements and estimates in this material may represent expectations about future events or results, which are subject to risks and uncertainties, which may be known or unknown. There is no guarantee that the events or results will take place as referred to in these expectations.

These expectations are based on the present assumptions and analyses from the point of view of our Senior Management, in accordance with their experience, and also on factors, such as the macroeconomic environment, market conditions in the electricity sector, and 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 alterations that may be considered necessary in 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 in such 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 give rise to different results from those estimated by the Company, we recommend consulting the section Risk Factors included in the Reference Form filed with the Brazilian Securities Commission (CVM) and in the 20-F Form filed with the U.S. Securities and Exchange Commission (SEC).

Main assumptions

Cemig: Financial projections for 2017–2021

The forecasts in this **guidance** are **‘inertial’**. That is to say: they do not take into account of any changes that may occur in the future in the portfolio of assets owned by the holding company.

Both in the inertial scenario and also in the other planning scenarios, **Cemig adopts as basic premises: (i) recovery of the market, and (ii) the quest to ensure the company’s sustainability.**

- Cemig will reduce **debt**, increase **productivity**, and review its portfolio of **equity interests**, focusing on its core business, and prioritizing companies in which it holds the control.

To meet challenges, Cemig is working on the following fronts:

- ☑ **Adapt and develop the Profit Sharing system**, to align it with market practices.
- ☑ **Implement the Voluntary Retirement Plan (PDV)**: In the last 2 years alone more than 1500 employees – approximately 20% of the company's employees – have adhered.
- ☑ **Initiatives to reduce PMSO*** expenses and **reduce default**.
- ☑ **Strategic management of supplies**.
- ☑ **Trading strategy** to maximize profits.
- ☑ **Proactive management of the debt**.

The effects of these initiatives are projected in this **Guidance for 2017–2021**.

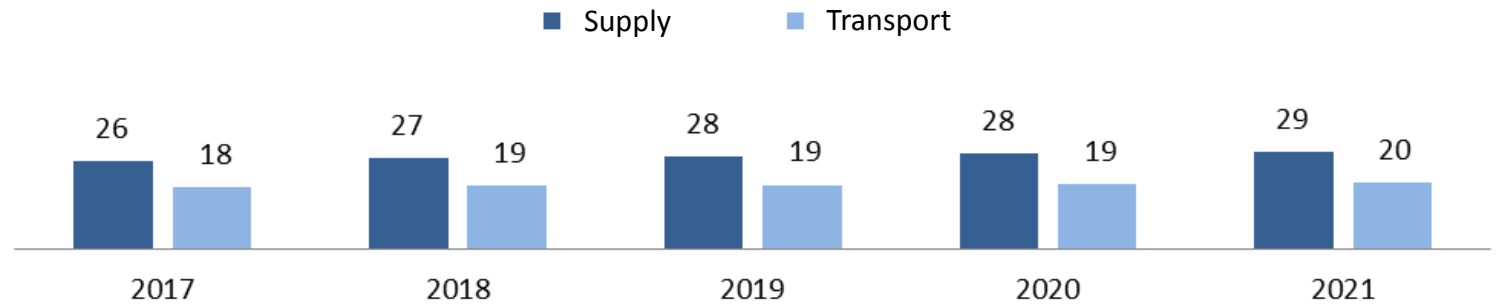
CEMIG D – Distribution

Regulatory assumptions

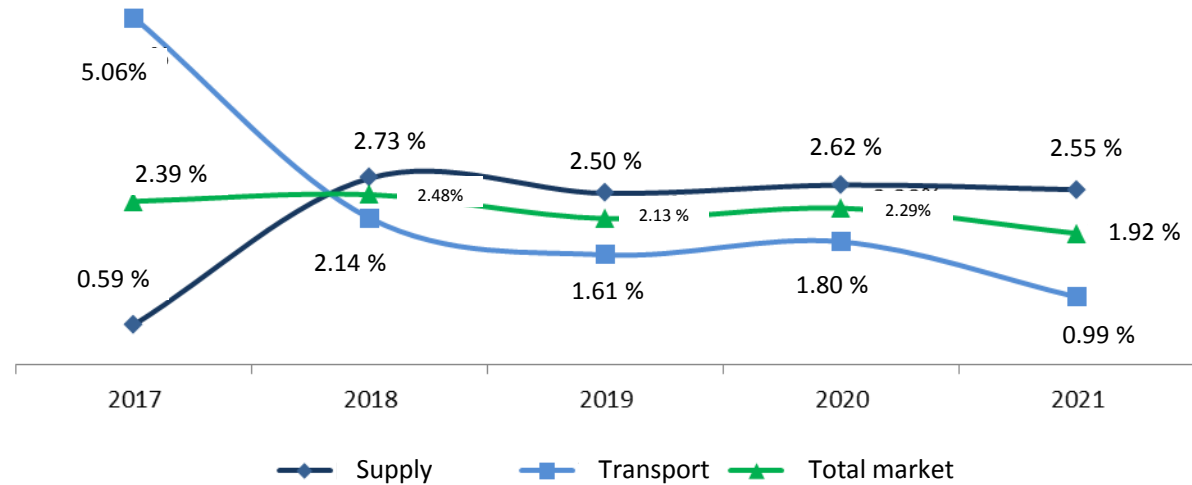
- 2017 annual tariff adjustment
 - Average adjustment –10.66%, in effect May 28, 2017 – May 27, 2018
 - Reduction in expense related to sector charges
 - Higher transportation costs (brought forward with tariff coverage)
- 2018 Tariff Review to incorporate value into Portion B – with recovery of Distributor’s margin
 - Remuneration of ‘Special Obligations’
 - New formula for the calculation of annual components
 - Less lag between Portion A expense and coverage
- Coverage by the tariff to adhere more closely to cost in the new cycle

Assumption that market will grow 2.2% p.a. from 2017–2021

The market – TWh

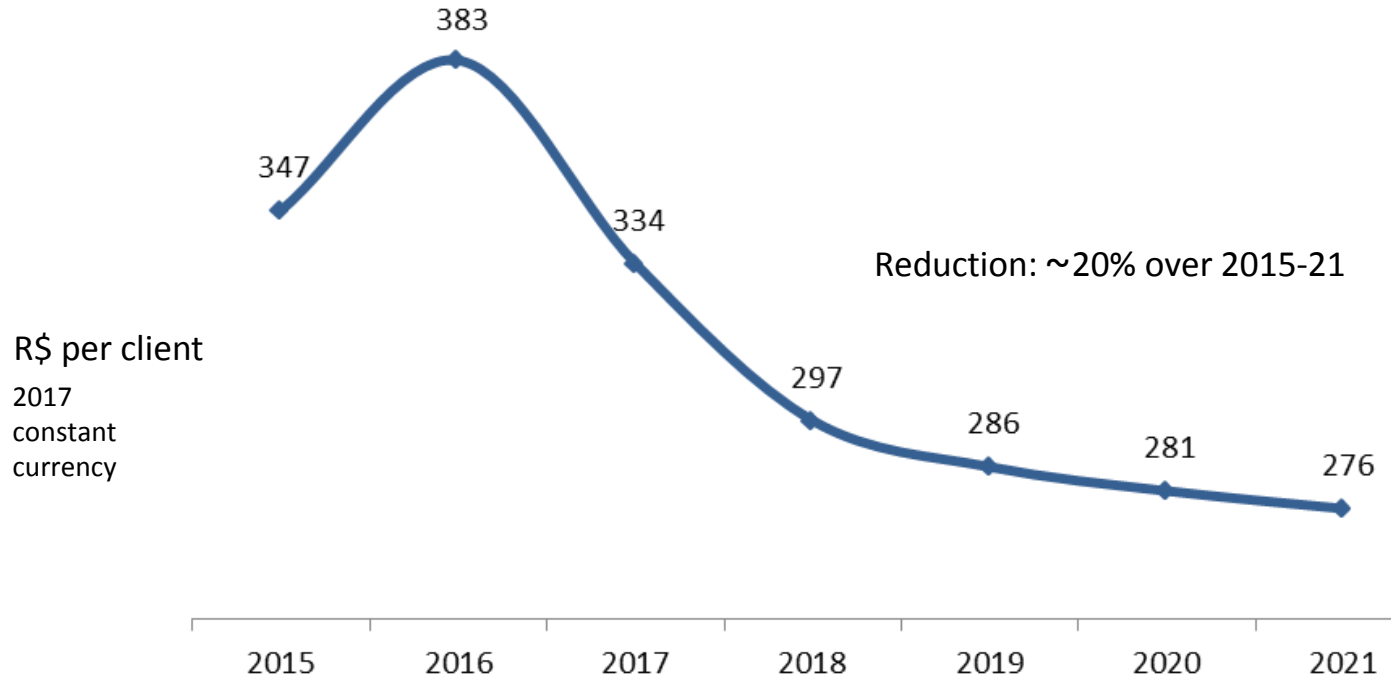


Projected market growth



Source: Cemig.

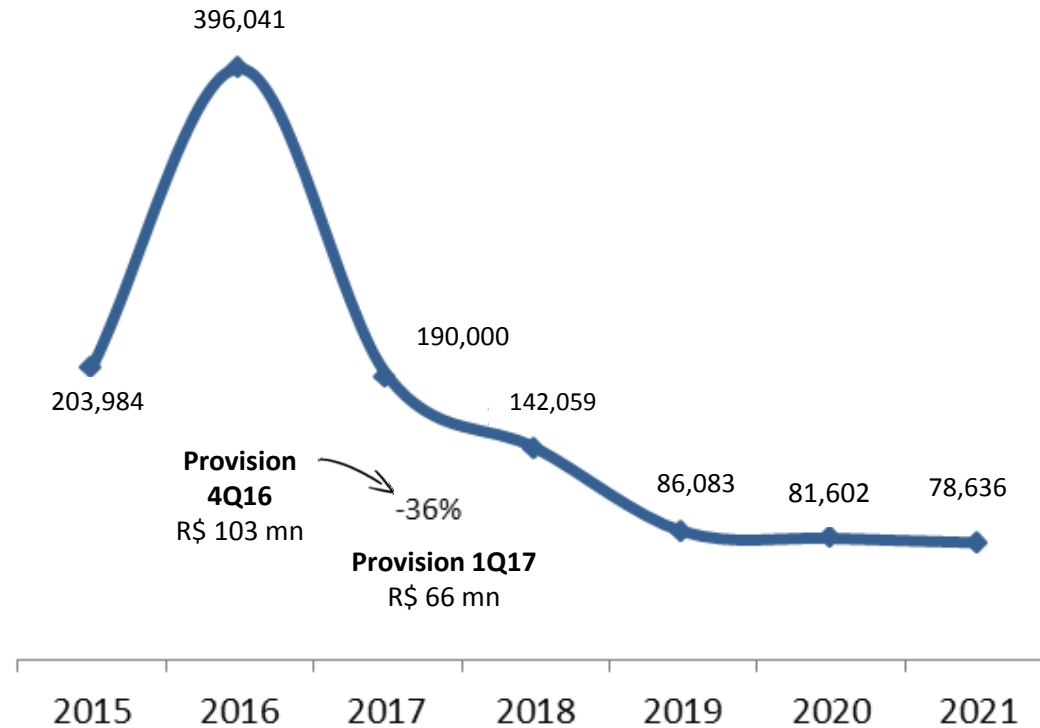
Increase in productivity: Opex vs. number of clients



	2015	2016	2017	2018	2019	2020	2021
Number of consumers	8,078	8,259	8,493	8,687	8,882	9,076	9,271

Source: Cemig.

Gradual reduction in default by Distribution clients



Source: Cemig.

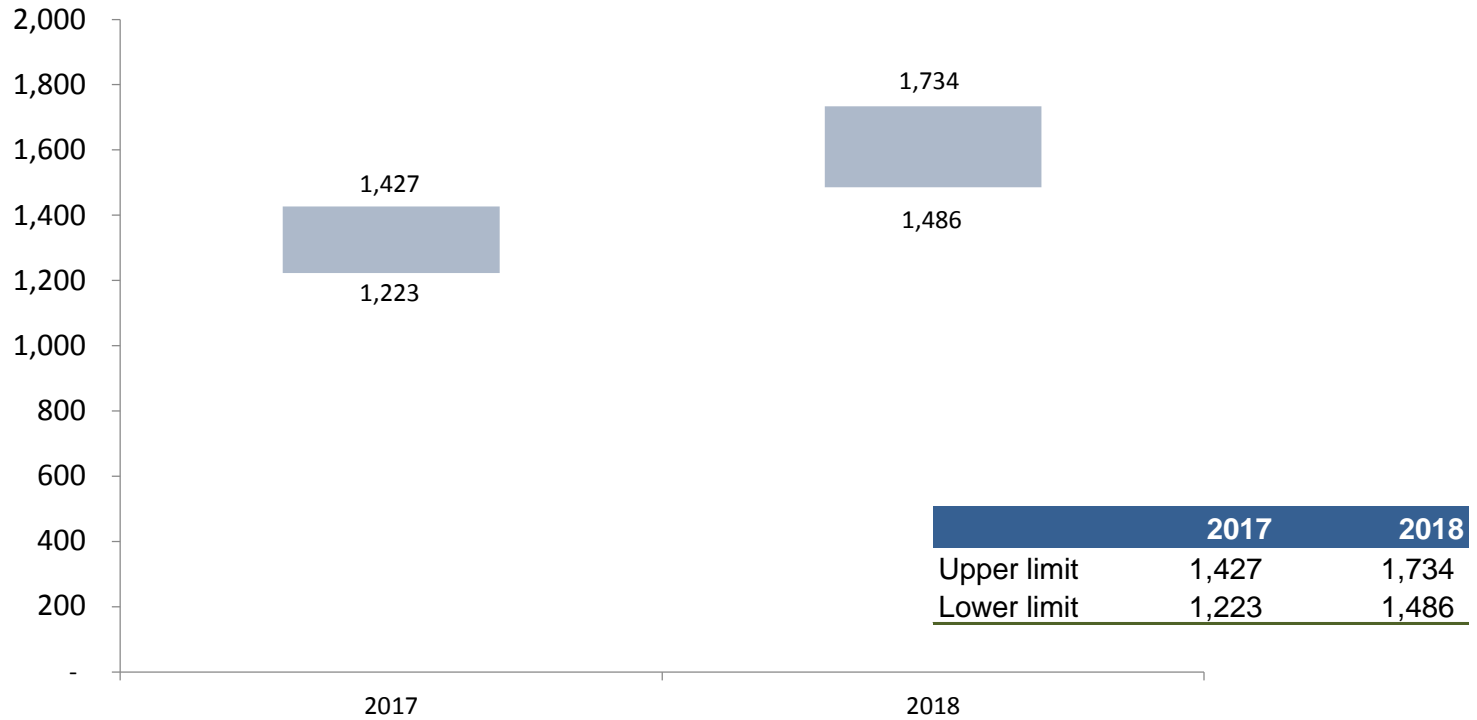
Constant June 2017 R\$ '000

Investments: over 5 years, in line with regulatory demands

Constant Jun 2017 R\$ mn	Multi-year planning					TOTAL
	2017	2018	2019	2020	2021	
Electricity system	967	837	855	855	855	4,371
Infrastructure / Other	134	88	89	71	56	439
Subtotal	1,101	926	944	927	911	4,809
Client funds	231	222	222	222	222	1,118
Total	1,332	1,147	1,166	1,149	1,133	5,927

Source: Cemig.

Ebitda band: R\$ mn

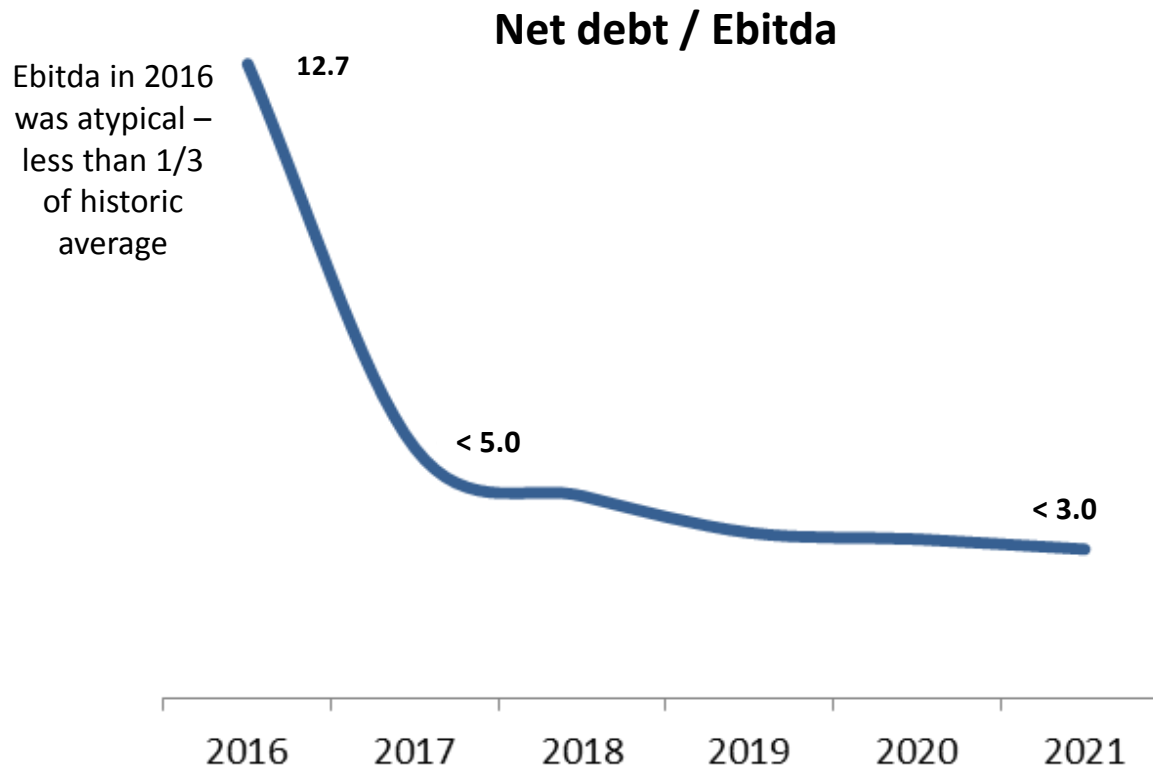


Source: Cemig.

In 2017 constant currency

Gradual reduction in Net debt / Ebitda of Cemig D

- Reflects:
 - Productivity increase,
 - Cost reduction, and
 - Improvement in conditions required in the new regulatory cycle



Source: Cemig.

Ebitda in 1Q17 was 37.4% higher than in 1Q16

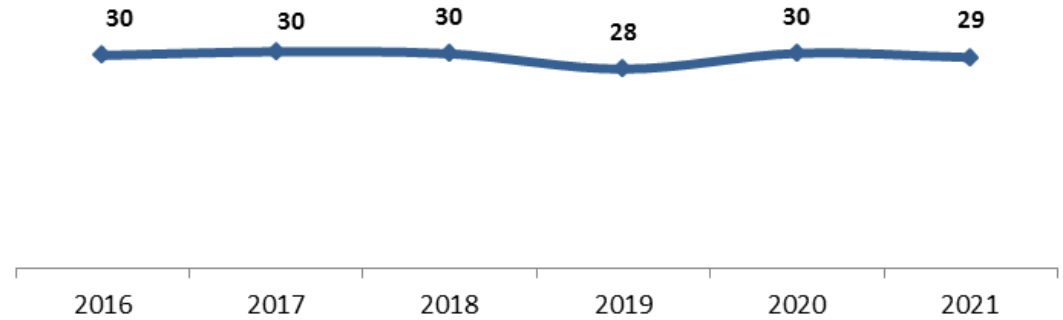
CEMIG GT – Generation and Transmission

Main assumptions

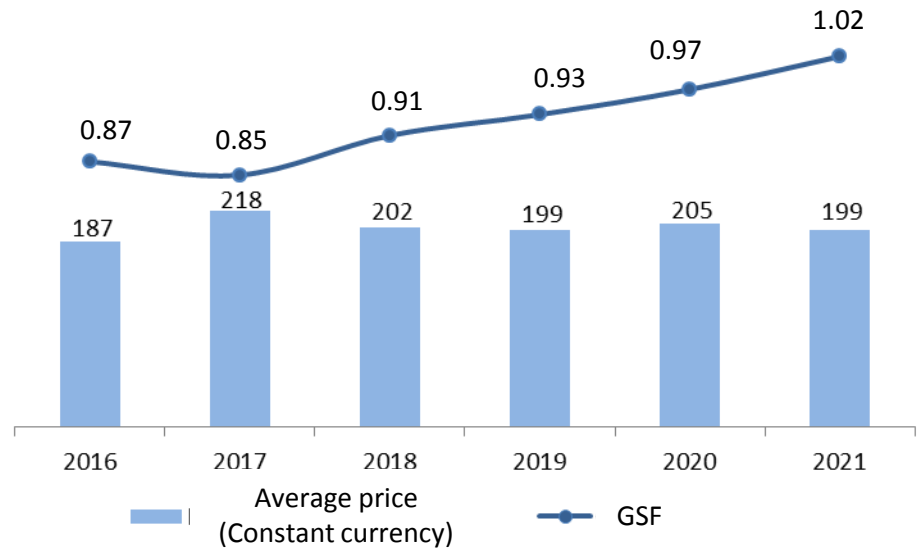
- Free Market to remain as at present (2017-2021)
- *Jaguara, São Simão, Miranda and Volta Grande* plants to operate under quota regime until December 2017
- Excludes indemnization of 4 plants above
- Excludes indemnization of 14 plants from 'Lot D'
- Excludes asset sale

Main assumptions for generation revenue

Size of market
TWh



Average price
In 2017 constant currency



Source: Cemig.

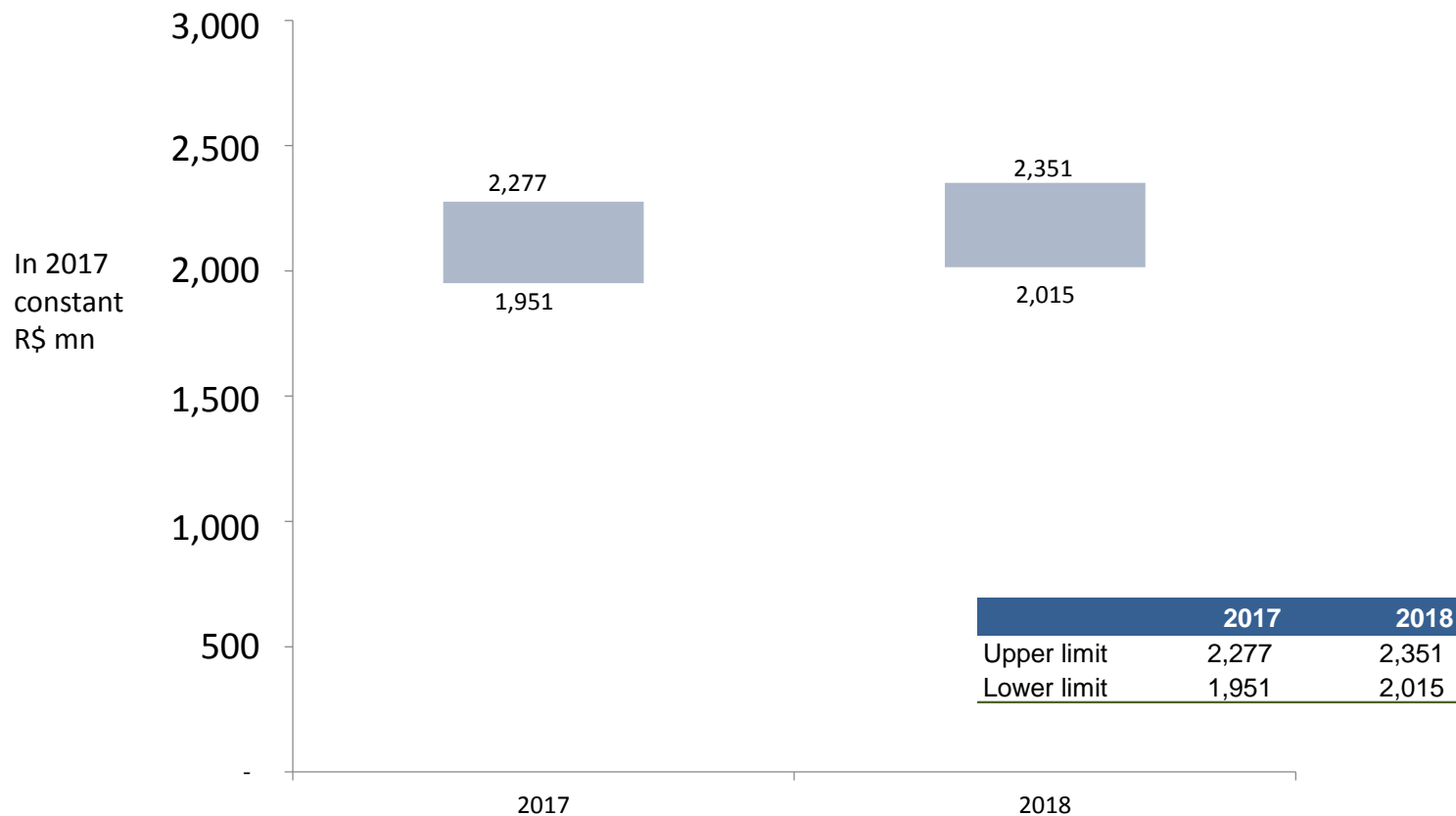
- Capex generation reflects maintaining existing plants
- Capex transmission reflects investments to strengthen and improve assets

Constant Jun 2017 R\$ mn	Multi-year planning					TOTAL
	2017	2018	2019	2020	2021	
Generation (operation and maintenance)	48	113	131	50	34	376
Injections of cash	490	146	132	0	0	769
Aliança Norte	89	4	-	-	-	93
Amazônia	144	4	-	-	-	148
Guanhaes	127	30	-	-	-	157
Itaocara	59	108	132	-	-	299
Renova	72	-	-	-	-	72
Transmission (improvements) *	53	171	207	199	207	838
Total	592	430	470	250	241	1,984

Source: Cemig.

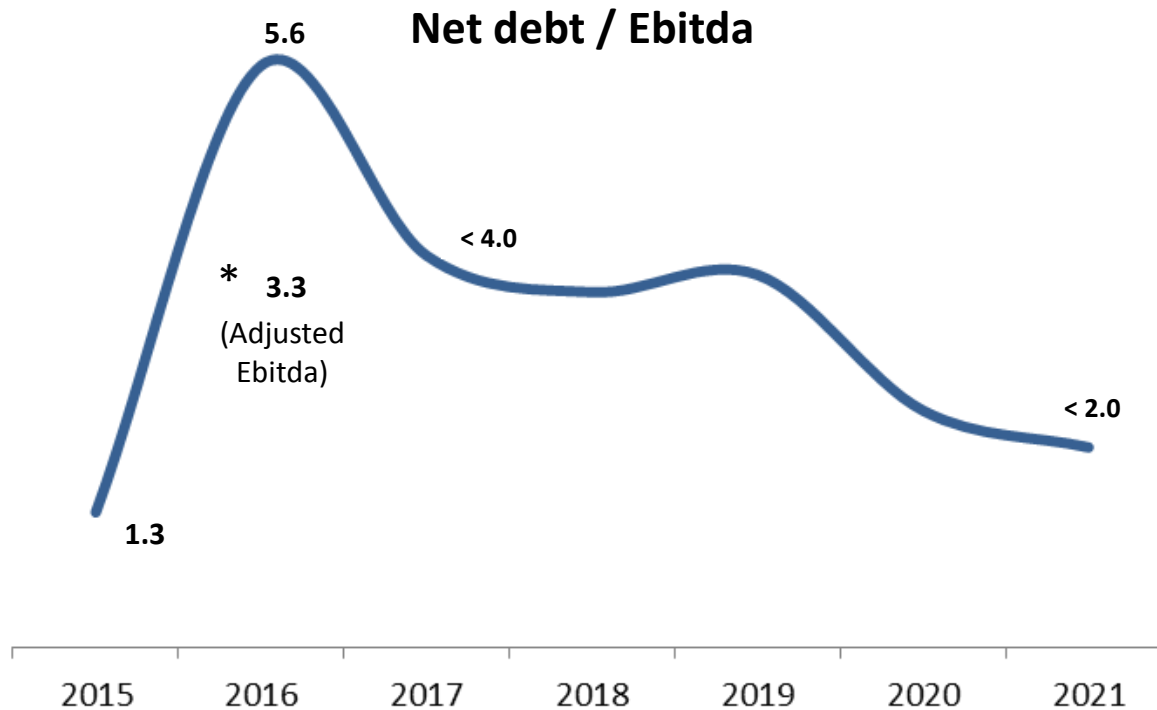
- * Among the 5-year improvement program, we will focus on maintenance and continuity of the transmission service and strengthen transmission grid – these projects authorized by Aneel to increase transmission capacity, and/or reliability or useful life of the assets.

Ebitda band: R\$ mn



Source: Cemig.

Even in the inertial scenario, we expect Net debt / Ebitda to improve, and meet the legal required level in 2020



Source: Cemig.

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Cemig – Holding Company

Investments

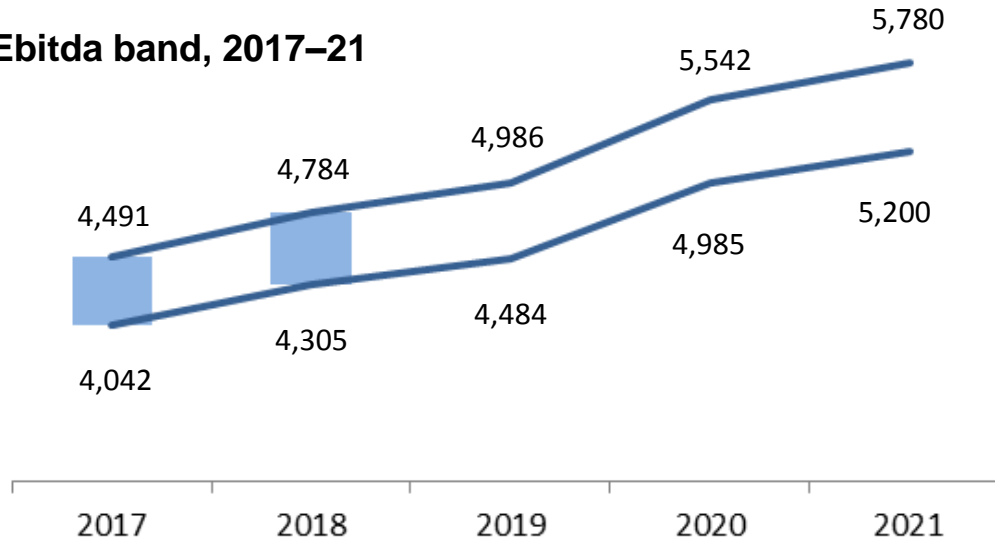
Constant Jun 2017 R\$ mn	Multi-year planning					TOTAL
	2017	2018	2019	2020	2021	
Cash injections (Cemig Telecom)	50	-	-	-	-	50
Other	3	-	-	-	-	4
Total	53	-	-	-	-	54

Source:CEMIG

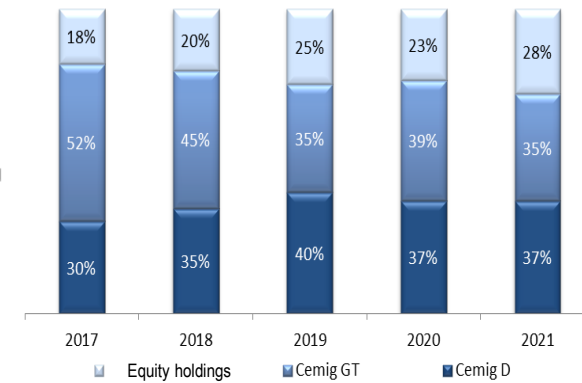
The capital injections by the holding company are for the telecommunications business.

Ebitda projections (R\$ mn)

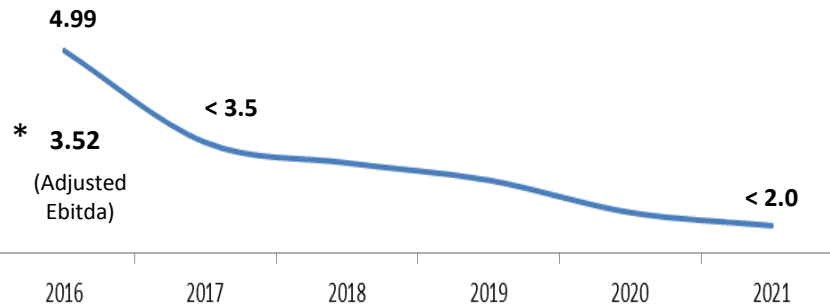
Ebitda band, 2017–21



Ebitda breakdown



Net debt / Ebitda



Source: Cemig.

* Excludes effect of the adjustment for loss of value in Investments – Renova.

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Investor relations

Tel: +55 (31) 3506-5024

Fax: +55 (31) 3506-5025

ri@cemig.com.br

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

