POLICY ON DIVIDEND DISTRIBUTION AND INDEBTEDNESS

1. INTRODUCTION

1.1. This Policy on Dividend Distribution and Indebtedness defines rules for the distribution of dividends to the shareholders of Companhia Energética de Minas Gerais – CEMIG (CEMIG) and limits for its indebtedness.

1.2. CEMIG is a publicly held government-controlled company that operates as a holding company in the electricity sector. Its profit comes from the results of various companies that are part of Grupo CEMIG, which can be classified as wholly-owned subsidiaries, subsidiaries, or affiliates.

2. COVERAGE

2.1. This Policy, prepared in compliance with applicable legislation, regulations, and the Bylaws, only covers CEMIG. With regard to the other companies within the Group, existing rules in applicable legislation and regulation, as well as on their Bylaws, must be observed. Whenever feasible or necessary, the Dividend Distribution Policy to be approved at the respective General Meetings must also be taken into consideration.

3. DIVIDEND DISTRIBUTION

3.1. CEMIG's fiscal year coincides with the calendar year, ending on December 31 of each year, when financial statements are prepared according to applicable legislation and regulations. Semi-annual or interim balance sheets may also be prepared for shorter periods.

3.2. The General Shareholders' Meeting shall meet ordinarily within the first 4 (four) months of the year to resolve on the allocation of the Company's net income, according to a proposal to be presented by the Company's Management.

3.3. Common and preferred shares will equally participate in the distribution of bonuses.

Minimum dividends established for preferred shares or privately held shares

3.4. Preferred shares will have preference in case of share disbursement and shall have a minimum annual dividend equal to the higher of the following values:

- 10% (ten percent) calculated on their face value; and
- 3% (three percent) on the equity value of the shares.

3.5. In the years that CEMIG does not have sufficient profit to pay dividends to its shareholders, the State of Minas Gerais shall ensure a minimum dividend of 6% (six percent) per year to the Company's shares issued until August 5, 2004, held by private individuals, according to article 4 of State Law 15,290/2004.

Profit Allocation

3.6. From the profit for the year, accumulated losses, provision for income tax, social contribution on net profit, and, subsequently, profit sharing for employees and management shall be deducted before any distribution.

3.7. The net income calculated in each fiscal year shall be allocated as follows:

- 5% (five percent) to the legal reserve, up to the maximum limit provided for in law;
- 50% (fifty percent) shall be distributed, as a mandatory dividend, to the Company's shareholders, subject to the other provisions of the Bylaws and applicable legislation; and,
- the balance, after retaining the amount established in the capital budget and/or investment plan prepared by the Company's management, according to the Long-Term Strategy, internal rules, and this Policy, shall be invested in the creation of a profit reserve aimed at the distribution of extraordinary dividends, according to item 3.12 of this Policy, up to the maximum limit provided for in article 199 of Law 6,404/1976.

3.8. Dividends will be distributed based on the following order:

- minimum annual dividend ensured to preferred shares;
- dividend to common shares, up to a percentage equal to that ensured to preferred shares.

3.9. Once the dividends provided for in item 3.4 have been distributed, preferred shares will have rights equal to those of common shares in any distribution of additional dividends.

3.10. The amounts paid or credited as interest on equity, according to applicable legislation, will be applied in the amounts of mandatory dividends or statutory dividends of the preferred shares, integrating the total dividends distributed by the Company for all legal purposes.

Interim and Additional Dividends

3.11. The Board of Directors, after consulting the Fiscal Council, may declare interim dividends as interest on equity to the retained earnings account, profit reserves, or profit calculated in semi-annual or interim balance sheets.

3.12. Without prejudice to mandatory dividends, every two years or at shorter intervals if the Company's cash availability allows, the profit reserve provided for in item 3.7 will be used for the distribution of extraordinary dividends, up to the limit of available cash, as established by the Board of Directors, according to the Long-Term Strategy, internal rules, and this Policy.

3.13. The Long-Term Strategy and internal rules should take into consideration the covenants defined in item 4, for the current and subsequent fiscal year, existing investment opportunities, and the maintenance and sustainable expansion of the business.

Payment of dividends and Custody

3.14. Mandatory or extraordinary dividends declared will be paid in 2 (two) equal installments, the first by June 30 and the second by December 30 of each year, and the Executive Board, within these deadlines, will be responsible for determining the locations and payment processes.

3.15. Dividends not claimed within 3 (three) years from the date they have been made available to shareholders will revert to the benefit of the Company.

3.16. The amounts due will be paid according to the custody of shares described below:

3.16.1. The payment for shareholders holding American Depositary Receipts (ADRs) will be directly made to the depository bank abroad, which will transfer it to shareholders within an average period of 10 days from the payment in Brazil;

3.16.2. For shareholders whose records are not updated with "Bank/Branch/Checking Account" information, their rights will only be credited upon the update of their information in the electronic files of the Financial Institution holding CEMIG's registered shares, through their branches;

3.16.3. For shares held in Custody of Stock Exchanges, the payment will be credited to the respective Stock Exchanges, which, through depository brokers, will transfer it to shareholders;

3.16.4. Shareholders holding bearer shares must go to any branch of the Financial Institution holding CEMIG's registered shares with their individual taxpayer's registration document (CPF), identity card, proof of residence, and the certificates of the corresponding coupons so that the shares are convertible to registered form for subsequent receipt of benefits. At that time, they can provide their banking details so that the amounts can be credited to their checking account.

4. FINANCIAL COVENANTS

4.1. In the management of CEMIG and in the exercise of voting rights in wholly-owned subsidiaries, subsidiaries, affiliates, and consortia, the Board of Directors and Executive Board shall faithfully observe and comply with the following goals:

4.1.1. maintain CEMIG's net consolidated indebtedness at a value equal to or lower than 2.5 (two and a half) times the Company's EBITDA (earnings before interest, taxes, depreciation, and amortization);

4.1.2. maintain a consolidated interest coverage ratio measured by EBITDA/interest expenses at a value equal to or higher than 3 (three) times;

4.1.3. invest only in distribution, generation, and transmission projects that offer minimum real internal rates of return equal to or higher than those provided for in the Long-Term Strategy and internal rules of the Company, except for legal obligations;

4.1.4. maintain the expenses of the wholly-owned subsidiary Cemig Distribuição S.A. and any distribution subsidiary in amounts not exceeding those recognized in tariff adjustments and reviews;

4.1.5. maintain the tariffs of the wholly-owned subsidiary Cemig Distribuição S.A. and any distribution subsidiary at the values recognized in tariff adjustments and reviews, without any reduction.

4.2. The goals provided for in item 4.1 above will be established on a consolidated basis, according to the Company's consolidated financial statements.

4.3. The financial covenants established in items 4.1.1 and 4.1.2 above will be annually calculated using the results obtained at the end of each fiscal year.

4.4. The goals established in items 4.1.1 and 4.1.2 above may not be met due to conjunctural reasons, upon justification and specific approval by the Board of Directors, while respecting the following limits:

4.4.1. the Company's net consolidated indebtedness at a value equal to or lower than 3 (three) times the Company's EBITDA (earnings before interest, taxes, depreciation, and amortization);

4.4.2. interest coverage ratio measured by EBITDA/interest expenses at a value equal to or higher than 2.5 (two and a half) times;

ADÉZIO DE ALMEIDA LIMA
Chair of the Board of Directors