

ENERGY CO OF MINAS GERAIS
Form 20-F
June 30, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report: N/A

Commission file number 1-15224

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COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

(Exact name of Registrant as specified in its charter)

ENERGY CO OF MINAS GERAIS

(Translation of Registrant's name into English)

BRAZIL

(Jurisdiction of incorporation or organization)

Avenida Barbacena, 1200, Belo Horizonte, M.G., 30190-131

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of exchange on which registered:
Preferred Shares, R\$5.00 par value	New York Stock Exchange*
American Depositary Shares, each representing 1 Preferred Share, without par value	New York Stock Exchange
Common Shares, R\$5.00 par value	New York Stock Exchange*
American Depositary Shares, each representing 1 Common Share, without par value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

298,269,668 Common Shares
384,144,914 Preferred Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non accelerated filer

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Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

IFRS

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

* Not for trading but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

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PRESENTATION OF FINANCIAL INFORMATION

Companhia Energética de Minas Gerais CEMIG is a *sociedade de economia mista* (a state-controlled mixed capital company) organized and existing with limited liability under the laws of the Federative Republic of Brazil, or Brazil. References in this annual report to CEMIG, we, us, our and the Company are to Companhia Energética de Minas Gerais CEMIG and its consolidated subsidiaries, except when the reference is specifically to Companhia Energética de Minas Gerais CEMIG (parent company only) or the context otherwise requires. References to the *real*, *reais* or R\$ are to Brazilian *reais* (plural) and the Brazilian *real* (singular), the official currency of Brazil, and references to U.S. dollars, dollars or US\$ are to United States dollars.

We maintain our books and records in *reais*. We prepare our financial statements in accordance with accounting practices adopted in Brazil, including the principles that are established primarily through Law No. 6,404 of December 15, 1976, as amended, including by Law 11,638 of December 28, 2007, which we refer to as the Brazilian Corporate Law. For purposes of this annual report we prepared balance sheets as of December 31, 2009 and 2008 and the related statements of operations and comprehensive income,

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cash flows and changes in shareholders' equity for the years ended December 31, 2009, 2008 and 2007, in *reais* all in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. KPMG Auditores Independentes has audited our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007, as stated in their report appearing elsewhere herein.

This annual report contains translations of certain *real* amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such U.S. dollar amounts have been translated from *reais* at an exchange rate of R\$1.7425 to US\$1.00, the noon buying rate in New York City for cable transfers in *reais* as certified for customs purposes by the Federal Reserve Bank of New York, or the noon buying rate, as of December 31, 2009. See Item 3. Key Information Exchange Rates for additional information regarding exchange rates. We cannot guarantee that U.S. dollars can be converted into *reais*, or that *reais* can be converted into U.S. dollars, at the above rate or at any other rate.

Changes to Regulatory Requirements for Presentation of Financial Statements – Convergence to International Financial Reporting Standards (IFRS)

Presentation of financial statements in accordance with IFRS

On July 13, 2007, the CVM issued Rule No. 457 to require listed companies to publish their consolidated financial statements in accordance with IFRS starting with the year ending December 31, 2010. Those consolidated financial statements must be prepared based on IFRS as issued by the International Accounting Standards Board.

Convergence of Brazilian GAAP to IFRS

On December 28, 2007, Law No. 11,638 was enacted and amended numerous provisions of the Brazilian Corporate Law relating to accounting principles and authority to issue accounting standards. Law No. 11,638 sought to enable greater convergence between Brazilian GAAP and IFRS. To promote convergence, Law No. 11,638 modified certain accounting principles of the Brazilian Corporate Law and required the different applicable regulators (including CVM) to issue accounting rules conforming to the accounting standards adopted in international markets. Additionally, the statute acknowledged a role in the setting of accounting standards for the CPC, which is a committee of officials from the Brazilian Federal Accounting Board (*Conselho Federal de Contabilidade*), Brazilian Independent Auditors Institute (*Instituto dos Auditores Independentes do Brasil*), São Paulo Stock Exchange (*BM&FBovespa S.A. Bolsa de Valores, Mercadorias e Futuros*) or BM&FBovespa, industry representatives and academic bodies that has issued accounting guidance and pursued the improvement of accounting standards in Brazil. Law No. 11,638 permits the CVM to rely on the accounting standards issued by the CPC in establishing accounting principles for regulated entities.

Subsequently on May 27, 2009, Law No. 11,941 was enacted and, among other issues, amended numerous provisions of the Brazilian Corporate Law and tax regulation, bringing Brazilian GAAP and IFRS into closer agreement.

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As result of the issuance of Law No. 11,638, and Law No. 11,941, CPC has issued approximately 40 standards with the objective of making Brazilian GAAP similar to IFRS. CPC has issued several standards for application beginning with the year ended December 31, 2008 and during 2009 issued several additional standards. Our management is currently in the process of analyzing the potential impact of these new regulations and standards.

MARKET POSITION AND OTHER INFORMATION

The information contained in this annual report regarding our market position is, unless otherwise indicated, presented for the year ended December 31, 2009 and is based on, or derived from, reports issued by the *Agência Nacional de Energia Elétrica* (the Brazilian National Electric Energy Agency), or ANEEL, and by the *Câmara de Comercialização de Energia Elétrica* (the Brazilian Electric Power Trading Chamber), or CCEE.

Certain terms are defined the first time they are used in this annual report. As used herein, all references to GW and GWh are to gigawatts and gigawatt hours, respectively, references to MW and MWh are to megawatts and megawatt-hours, respectively, and references to kW and kWh are to kilowatts and kilowatt-hours, respectively.

References in this annual report to the common shares and preferred shares are to our common shares and preferred shares, respectively. References to Preferred American Depositary Shares or Preferred ADSs are to American Depositary Shares, each representing one preferred share. References to Common American Depositary Shares or Common ADSs are to American Depositary Shares, each representing one common share. Our Preferred ADSs and Common ADSs are referred to collectively as ADSs, and Preferred ADRs and Common ADRs are referred to collectively as ADRs.

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On May 3, 2007, we effected a stock split in the form of a 50% stock dividend of our preferred shares, with a corresponding adjustment to our Preferred ADSs. On June 11, 2007, we effected (i) the grouping of our preferred shares in the form of a consolidation whereby every 500 preferred shares, with par value R\$0.01, were consolidated into one preferred share with a par value of R\$5.00, and (ii) a 100% forward split of the Preferred ADSs, through which the Preferred ADS ratio was changed to one preferred share per Preferred ADS. In addition, on May 2, 2008, a 2.02% stock dividend was paid on the preferred shares. On May 8, 2008, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Preferred ADSs. On April 29, 2009, a 25.000000151% stock dividend was paid on the preferred shares. On May 13, 2009, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Preferred ADSs. On April 29, 2010, a 10.000000128% stock dividend was paid on the preferred shares. On May 10, 2010, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Preferred ADSs. The Preferred ADSs are evidenced by American Depositary Receipts, or Preferred ADRs, issued pursuant to a Second Amended and Restated Deposit Agreement, dated as of August 10, 2001, as amended on June 11, 2007, by and among us, Citibank, N.A., as depositary, and the holders and beneficial owners of Preferred ADSs evidenced by Preferred ADRs issued thereunder (the Second Amended and Restated Deposit Agreement).

On May 3, 2007, we effected a partial stock split in the form of a 50% stock dividend of our common shares. On June 11, 2007, we effected a grouping of our common shares in the form of a consolidation whereby every 500 common shares, par value R\$0.01, were consolidated into one common share with a par value of R\$5.00. On June 12, 2007, we established an American Depositary Share program for our common shares, with each Common ADS representing one common share. In addition, On May 2, 2008, a 2.02% stock dividend was paid on the common shares. On May 8, 2008, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADSs. On April 29, 2009, a 25.000000151% stock dividend was paid on the common shares. On May 13, 2009, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADSs. On April 29, 2010, a 10.000000128% stock dividend was paid on the common shares. On May 10, 2010, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADSs. The Common ADSs are evidenced by American Depositary Receipts, or Common ADRs, issued pursuant to a Deposit Agreement, dated as of June 12, 2007, by and among us, Citibank, N.A., as depositary, and the holders and beneficial owners of Common ADSs evidenced by Common ADRs issued thereunder (the Common ADS Deposit Agreement and, together with the Second Amended and Restated Deposit Agreement, the Deposit Agreements).

FORWARD-LOOKING INFORMATION

This annual report includes forward-looking statements, principally in Item 3. Key Information and Item 11. Quantitative and Qualitative Disclosures about Market Risk. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions relating to, among other things:

- general economic, political and business conditions, principally in Latin America, Brazil, the State of Minas Gerais, in Brazil, or Minas Gerais, the State of Rio de Janeiro, in Brazil, or Rio de Janeiro, as well as other states in Brazil;
- inflation and changes in currency exchange rates;
- enforcement of legal regulation in Brazil's electricity sector;

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- changes in volumes and patterns of consumer electricity usage;
- competitive conditions in Brazil's electricity generation, transmission and distribution markets;
- our expectations and estimates concerning future financial performance, financing plans and the effects of competition;
- our level of debt and its maturity;
- the likelihood that we will receive payment in connection with accounts receivable;
- trends in the electricity generation, transmission and distribution industry in Brazil, and in particular in Minas Gerais and Rio de Janeiro;
- changes in rainfall and the water levels in the reservoirs used to run our hydroelectric power generation facilities;

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- our capital expenditure plans;
- our ability to serve our consumers on a satisfactory basis;
- our ability to renew our concessions;
- existing and future governmental regulation as to electricity rates, electricity usage, competition in our concession area and other matters;
- our ability to integrate the operations of companies we have acquired and that we may acquire;
- existing and future policies of the Federal Government of Brazil, which we refer to as the Federal Government;
- existing and future policies of the government of Minas Gerais, which we refer to as the State Government, including policies affecting its investment in us and the plans of the State Government for future expansion of electricity generation, transmission and distribution in Minas Gerais; and
- other risk factors as set forth under Item 3. Key Information Risk Factors.

The forward-looking statements referred to above also include information with respect to our capacity expansion projects that are under way and those that we are currently evaluating. In addition to the above risks and uncertainties, our potential expansion projects involve engineering, construction, regulatory and other significant risks, which may:

- delay or prevent successful completion of one or more projects;
- increase the costs of projects; and

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- result in the failure of facilities to operate or generate income in accordance with our expectations.

The words believe, may, will, estimate, continue, anticipate, intend, expect and similar words are intended to identify forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this annual report might not occur. Our actual results and performance could differ substantially from those anticipated in our forward-looking statements.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Consolidated Financial Data

The following tables present our selected consolidated financial and operating information in U.S. GAAP as of the dates and for each of the periods indicated. You should read the following information together with our consolidated financial statements, including the notes thereto, included in this annual report and the information set forth in Item 5. Operating and Financial Review and Prospects.

The selected consolidated financial data as of December 31, 2009 and 2008 and for each of the three years ended December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements and the notes thereto included elsewhere in this annual report. The selected consolidated data as of December 31, 2007, 2006 and 2005 and for the each of the two years ended December 31, 2006 and 2005 has been derived from our audited consolidated financial statements and notes thereto, which are not included in this annual report.

U.S. dollar amounts in the table below are presented for your convenience. Unless otherwise indicated, these U.S. dollar amounts have been translated from *reais* at R\$1.7425 per US\$1.00, the noon buying rate as of December 31, 2009. The *real* has historically experienced high volatility. We cannot guarantee that U.S. dollars can be converted into *reais*, or that *reais* can be converted into U.S. dollars, at the above rate or at any other rate. On June 11, 2010, the noon buying rate for *reais* was R\$ 1.8045 per US\$1.00. See Exchange Rates.

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	As and for the year ended December 31,					
	2009	2009	2008	2007	2006	2005
	(in millions of US\$)(1)(2)		(In millions of R\$ except per share/ADS data or as otherwise indicated)			
Income Statement Data:						
Net operating revenues:						
Electricity sales to final consumers	6,309	10,994	10,497	10,191	9,319	8,708
Deferred rate adjustment (3)						110
Electricity sales to the interconnected power system	965	1,682	1,069	1,134	884	237
Use of basic transmission and distribution networks	1,147	1,999	1,865	1,705	1,780	1,523
Other operating revenues	159	277	241	236	200	176
Tax on revenues	(2,210)	(3,852)	(3,844)	(3,836)	(3,543)	(3,241)
Total net operating revenues	6,370	11,100	9,828	9,430	8,640	7,513
Operating costs and expenses:						
Electricity purchased for resale	(1,757)	(3,061)	(2,267)	(2,147)	(1,907)	(1,455)
Use of basic transmission and distribution networks	(434)	(756)	(634)	(564)	(687)	(709)
Depreciation and amortization	(408)	(711)	(769)	(878)	(810)	(669)
Personnel	(683)	(1,190)	(1,004)	(884)	(1,046)	(779)
Regulatory charges	(655)	(1,142)	(1,024)	(967)	(1,031)	(983)
Special liabilities					(1,057)	
Third-party services	(418)	(729)	(605)	(550)	(475)	(420)
Employee post-retirement benefits	(101)	(176)	(277)	(140)	(245)	(257)
Materials and supplies	(60)	(105)	(170)	(148)	(116)	(95)
Reversal (Provision) for loss on deferred regulatory assets (3)	5	8	(19)	(146)	(49)	(183)
Employee profit sharing	(134)	(233)	(362)	(455)	(210)	(260)
Other	(279)	(486)	(410)	(472)	(234)	(379)
Total operating costs and expenses	(4,924)	(8,581)	(7,541)	(7,351)	(7,867)	(6,189)
Operating income	1,446	2,519	2,287	2,079	773	1,324
Financial income (expenses), net	(63)	(109)	17	(48)	335	754
Non-Operating Income	95	165	204	272	91	29
Income before income taxes and minority interests	1,478	2,575	2,508	2,303	1,199	2,107
Income taxes expense	(463)	(807)	(755)	(685)	(497)	(300)
Net income before noncontrolling interests	1,015	1,768	1,753	1,618	702	1,807
Minority interests						2
Net income	1,015	1,768	1,753	1,618	702	1,809
Other comprehensive income (loss)	145	253	299	(400)	140	25
Comprehensive income	1,160	2,021	2,052	1,218	842	1,834
Basic earnings (loss): (5)						
Per common share	1.64	2.85	2.83	2.66	1.15	2.98

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Per preferred share	1.64	2.85	2.83	2.66	1.15	2.98
Per ADS	1.64	2.85	2.83	2.66	1.15	2.98
Diluted earnings (loss): (5)						
Per common share	1.63	2.84	2.81	2.61	1.13	2.95
Per preferred share	1.63	2.84	2.81	2.61	1.13	2.95
Per ADS	1.63	2.84	2.81	2.61	1.13	2.95

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	As of and for the year ended December 31,					
	2009	2009	2008	2007	2006	2005
	(in millions of US\$(1)(2))		(In Millions of R\$ except per share/ADS data or as otherwise indicated)			
Balance Sheet Data:						
Assets:						
Current assets	4,521	7,878	6,216	5,935	4,778	4,778
Property, plant and equipment, net	8,100	14,114	14,011	13,835	13,426	11,971
Deferred regulatory assets long-term	34	60	332	823	1,548	2,315
Account receivable from State Government	1,047	1,824	1,801	1,763	1,726	1,519
Other assets	2,689	4,685	2,421	1,997	1,841	763
Total assets	16,391	28,561	24,781	24,353	23,319	21,346
Liabilities:						
Current portion of long-term financing	2,246	3,913	1,197	941	691	985
Other current liabilities	1,993	3,472	3,692	3,572	3,639	3,953
Long-term financing	3,078	5,364	5,314	5,873	5,833	3,841
Employee post-retirement benefits long-term	751	1,308	1,765	2,182	1,666	1,535
Shareholders' equity	5,982	10,423	9,333	8,224	8,370	9,252
Capital stock	1,669	2,908	2,288	2,239	1,428	1,428
Other Data:						
Weighted average outstanding shares basic: (5)						
Common		271,154,243	271,154,243	265,778,129	265,778,129	275,778,129
Preferred		349,015,265	348,963,420	342,039,463	342,039,463	342,039,463
Dividends per share (5)						
Common	R\$	1.50	R\$ 1.52	R\$ 2.24	R\$ 2.22	R\$ 2.95
Preferred	R\$	1.50	R\$ 1.52	R\$ 2.24	R\$ 2.22	R\$ 2.95
Dividends per ADS (5)						
Common	US\$	0.86	US\$ 0.66	US\$ 1.26	US\$ 1.04	US\$ 1.27
Preferred	US\$	0.86	US\$ 0.66	US\$ 1.26	US\$ 1.04	US\$ 1.27
Dividends per share (4)(5)						
Common	US\$	0.86	US\$ 0.66	US\$ 1.26	US\$ 1.04	US\$ 1.27
Weighted average outstanding shares diluted: (5)						
Common		273,850,193	274,634,801	278,078,200	279,007,398	271,003,364
Preferred		349,015,265	348,963,420	342,039,463	342,039,463	342,039,463
Dividends per share diluted (5)						
Common	R\$	1.49	R\$ 1.51	R\$ 2.20	R\$ 2.17	R\$ 2.92
Preferred	R\$	1.49	R\$ 1.51	R\$ 2.20	R\$ 2.17	R\$ 2.92
Dividends per ADS diluted (5)						
Common	US\$	0.86	US\$ 0.66	US\$ 1.24	US\$ 1.02	US\$ 1.25
Preferred	US\$	0.86	US\$ 0.66	US\$ 1.24	US\$ 1.02	US\$ 1.25
Dividends per ADS diluted (4)(5)						
Common	US\$	0.86	US\$ 0.66	US\$ 1.24	US\$ 1.02	US\$ 1.25

(1) Converted at the exchange rate of US\$1.00 to R\$1.7425, the noon buying rate as of December 31, 2009. See Exchange Rates.

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- (2) In millions, except per share/ADS data.
- (3) See Note 4 to our consolidated financial statements.
- (4) This information is presented in U.S. dollars at the noon buying rate in effect as of the end of each year.

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(5) Per share numbers have been adjusted to reflect the stock dividend and consolidation of our shares, and per Preferred ADS numbers have been adjusted to reflect the 100% forward split of our Preferred ADSs, each of which occurred in May and June 2007. In addition, per share numbers have been adjusted to reflect the stock dividends on our shares in May 2008 and May 2009, and per ADS numbers have been adjusted to reflect the corresponding adjustments to our ADS.

Exchange Rates

In March 2005, the National Monetary Council (*Conselho Monetário Nacional*), or CMN, consolidated the commercial rate exchange market and the foreign exchange market into a single floating rate exchange market, where all foreign exchange transactions are now carried out by financial institutions authorized by the Central Bank to operate in this market.

Brazilian law provides that whenever there (i) is a significant imbalance in Brazil's balance of payments or (ii) are major reasons to foresee a significant imbalance in Brazil's balance of payments, temporary restrictions may be imposed on remittances of foreign capital abroad. In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Federal Government will continue to let the *real* float freely or will intervene in the exchange rate market. The *real* may depreciate or appreciate against the U.S. dollar and other currencies substantially in the future. Exchange rate fluctuations may affect the U.S. dollar amounts received by the holders of Preferred ADSs or Common ADSs. We will make any distributions with respect to our preferred shares or common shares in *reais* and the depositary will convert these distributions into U.S. dollars for payment to the holders of Preferred ADSs and Common ADSs. Exchange rate fluctuations may also affect the U.S. dollar equivalent of the *real* price of the preferred shares or common shares on the Brazilian stock exchange where they are traded. Exchange rate fluctuations may also affect our results of operations. For more information see Risk Factors Exchange rate instability may adversely affect our business, results of operations and financial condition and the market price of our shares, the Preferred ADSs and the Common ADSs.

The table below sets forth, for the periods indicated, the low, high, average and period-end noon buying rates for *reais*, expressed in *reais* per US\$1.00.

Month	Reais per US\$1.00			
	Low	High	Average	Period-end
December 2009	1.7050	1.7905	1.7508	1.7425
January 2010	1.7200	1.8755	1.7817	1.8755
February 2010	1.8010	1.8865	1.8403	1.8082
March 2010	1.7620	1.8207	1.7855	1.7821
April 2010	1.7270	1.7780	1.7568	1.7270
May 2010	1,7360	1,8850	1,8142	1,8170
June 2010 (1)	1,8045	1,8651	1,8326	1,8045

(1)As of June 11, 2010.

Year Ended December 31,	Reais per US\$1.00			
	Low	High	Average	Period-end

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2005	2.1695	2.7755	2.4352	2.3340
2006	2.0549	2.3580	2.1738	2.1342
2007	1.7298	2.1520	1.9449	1.7790
2008	1.5580	2.6190	1.8322	2.3130
2009	1.6995	2.4420	1.9976	1.7425

Source: U.S. Federal Reserve Board

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Risk Factors

You should consider the following risks as well as the other information in this annual report in evaluating an investment in our company.

Risks Relating to CEMIG

We are controlled by the State Government which may have interests that are different from yours.

As our controlling shareholder, the government of the State of Minas Gerais exercises substantial influence on the strategic orientation of the business of CEMIG. Elections will be held in Minas Gerais in October 2010. The period before the election may result in changes to the existing governmental policies, and the post-election administration may seek to implement new policies. The government of the State of Minas Gerais currently holds approximately 51% of our common shares and, consequently, has the right to the majority of votes in decisions of the General Meetings of our Shareholders, and can (i) elect the majority of the members of the Board of Directors of CEMIG, and (ii) decide matters requiring approval by a specific majority of our shareholders, including transactions with related parties, shareholding reorganizations and the date and payment of any dividends. It is not possible to analyze the impact and effects this may have on us or our results of operations.

The operations of CEMIG have had and will continue to have an important impact on the commercial and industrial development of the State of Minas Gerais, and on its social conditions. In the past, the State Government has, and may in the future, use its status as our controlling shareholder to decide that we should engage in certain activities and make certain investments aimed, principally, to promote its political, economic or social objectives and not necessarily to meet the objective of improving our business and/or operational results.

We are subject to extensive and uncertain governmental legislation and regulation.

The Brazilian Federal Government has been implementing policies that have a far-reaching impact on the Brazilian power industry and, in particular, the electricity industry. As part of the restructuring of the industry, Federal Law No. 10,848 of March 15, 2004, or the New Industry Model Law, introduced a new regulatory framework for the Brazilian electricity industry.

Law No. 10,848/04 and Decree 5,163 of July 30, 2004 governing the purchase and sale of electricity under the New Industry Model Law remain subject to the implementation of resolutions by ANEEL. Moreover, the constitutionality of Law No. 10,848/04 is currently being challenged before the Brazilian Supreme Court. The Brazilian Supreme Court has not yet reached a final decision and, therefore, Law No. 10,848/04 is currently in force. If all or a portion of Law No. 10,848/04 is considered to be unconstitutional by the Brazilian Supreme Court, all or a portion of the regulatory scheme introduced by Law No. 10,848/04 may not come into effect, generating uncertainty as to how and when the Federal Government will be able to introduce changes to the electricity industry. Accordingly, we cannot now evaluate the impact of new regulation to be issued by ANEEL or the impact that a decision on the constitutionality of Law No. 10,848/04 would have on our future activities, results of operations and financial condition.

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The rules for the sale of electric energy and market conditions could affect our energy selling prices.

Under applicable law, our generation companies are not allowed to sell energy directly to our distribution companies. As a result, our generation companies have to sell electricity in a regulated market through public auctions conducted by ANEEL (the Regulated Market, the ACR, or the Pool) or in the Free Market (the ACL). Legislation allows distributors that contract with our generation companies under the Regulated Market to reduce the quantity of energy contracted under some agreements up to a certain limit, exposing our generation companies to the risk of failing to sell its remaining energy at adequate prices.

We perform trading activities through power purchase and sale agreements, mainly in the ACL, through our generation and trading subsidiaries. Contracts in the ACL with consumers that are allowed to purchase energy directly from generating companies or from energy traders, referred to as Free Consumers, are generally consumers with demand equal to or greater than 3 MW or consumers with demand between 500 kW and 3 MW from so-called renewable energy sources, such as small hydroelectric facilities and cogeneration plants, mainly ethanol plants. Older contracts with consumers greater

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than 3MW give them the flexibility to purchase more or less energy (by 5% on average) from us than was originally contracted for by such consumers, which may adversely impact our business, results of operations and financial condition. Newer contracts, signed after 2005 generally do not allow for this kind of flexibility in the purchase of energy.

Despite the strategy described in the Power Generation and Trading section, lack of liquidity for execution of the trading policy or volatility in future prices due to market conditions and/or market perceptions may negatively affect our expected results. Also, if we are unable to sell all the power capacity in the regulated auctions or in the free market, the unsold capacity will be settled in the CCEE at a settlement price (Preço de Liquidação de Diferenças), or PLD, which tends to be very volatile, especially over the last few years. If this occurs in periods of low settlement prices, our revenues and results of operations could be adversely affected.

ANEEL has substantial discretion to establish the rates we charge to captive consumers. Such rates are determined pursuant to concession contracts entered with ANEEL on behalf of the Federal Government and in accordance with ANEEL's regulatory decision-making authority.

Concession agreements and Brazilian law establish a price cap mechanism that permits three types of rate adjustments: (1) the annual readjustment; (2) the periodic revision; and (3) the extraordinary revision. We are entitled to apply each year for the annual readjustment, which is designed to offset some of the effects of inflation on rates and allows us to pass through to consumers certain changes in our cost structure that are beyond our control, such as the cost of electricity we purchase and certain other regulatory charges, including charges for the use of transmission and distribution facilities. In addition, ANEEL carries out a periodic tariff revision every five years that is aimed at identifying variations in our costs as well as setting a factor based on our operational efficiency that will be applied against the index of our ongoing annual rate adjustments, the intended effect of which is to reward the good management of our costs while sharing any related gains with our consumers. We are also entitled to request an extraordinary revision of our rates if unforeseen events significantly alter our cost structure. The periodic revision and extraordinary revision are subject to a certain degree of ANEEL's discretion.

Although our concession agreements provide that the company must remain in economic and financial balance, we cannot assure you that ANEEL will establish rates that will adequately compensate us and that our revenues and results of operations will not be adversely affected by such rates. In addition, to the extent any of these adjustments are not granted by ANEEL in a timely manner, our business, results of operations and financial condition may be adversely affected.

We may not be able to collect the full amount of a significant receivable from the State Government.

We have an account receivable from the State Government, referred to as the Contrato de Cessão de Crédito de Saldo Remanescente, or CRC Account, that totaled R\$1,824 million as of December 31, 2009. The agreement between CEMIG and the State Government that governs the CRC Account receivable is referred to as the CRC Account Agreement. We have renegotiated and amended the terms of the CRC Account on a number of occasions in connection with this difficulty. We cannot assure you we will be paid on a timely basis in the future. See Item 5. Operating and Financial Review and Prospects Impact of Our Account Receivable from the State Government.

We are strictly liable for any damages resulting from inadequate rendering of electricity services.

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Under Brazilian law, we are strictly liable for direct and indirect damages resulting from the inadequate rendering of electricity transmission and distribution services. In addition, the damages caused to end consumers as a result of interruptions or disturbances arising from the generation, transmission or distribution systems, whenever these interruptions or disturbances are not attributed to an identifiable member of the National System Operator (*Operador Nacional do Sistema*, or ONS) or the ONS itself, shall be shared among generation, distribution and transmission companies. Until a final criteria is defined, the liability for such damages shall be shared in the proportion of 35.7% to distribution agents, 28.6% to transmission agents and 35.7% to generation agents. These proportions are established by the number of votes that each class of energy concessionaires receives at ONS's General Meeting, and as such, they are subject to change in the future. Therefore, our business, results of operations and financial condition may be adversely affected.

We are subject to rules and limits applied to levels of public sector borrowing and to restrictions on the use of certain funds we raise, which could prevent us from obtaining financing.

As a state controlled company, we are subject to rules and limits on the level of credit applicable to the public sector issued by the CMN and by the Central Bank. These rules set certain parameters and conditions for financial institutions to be able to offer credit to public sector entities. Thus, if our operations do not fall within these parameters and conditions, we may have difficulty in obtaining financing from Brazilian financial institutions, which could create difficulties in the

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implementation of our investment plan. Brazilian legislation also establishes that a state-controlled company, in general, may only use proceeds of external transactions with commercial banks (debt, including bonds) to refinance financial obligations. As a result of these regulations, our capacity to incur debt is again limited, and this could negatively affect the implementation of our investment plan.

There are contractual restrictions on our capacity to incur debt.

We are subject to certain restrictions on our ability to incur debt due to covenants set forth in our loan agreements. In the event of our non-compliance with any such covenants in our loan agreements, the total principal, future interest and any penalties due under these agreements may become immediately due and payable. In the past, and in 2009, in particular, we have, at times, been in non-compliance with our covenants under our loan agreements, and although we were able to obtain waivers from our creditors in regards to such non-compliance, no assurance can be given that we would be successful in obtaining any waivers in the future. Early maturity of our obligations could adversely affect our financial condition especially in light of cross default provisions in several of our loan and financing contracts. The existence of limitations on our indebtedness could prevent us from executing new agreements to finance our operations or to refinance our existing obligations which could adversely affect our business, results of operations and financial condition.

We could be penalized by ANEEL for failing to comply with the terms and conditions of our concession agreements, and/or the authorizations granted to us, which could result in fines, other penalties and, depending on the severity of non-compliance, expropriation of the concession agreements or revocation of the authorizations.

We conduct our generation, transmission and distribution activities pursuant to concession agreements entered into with the Federal Government through ANEEL and/or pursuant to authorizations granted to the companies of our portfolio, as the case may be.. ANEEL may impose penalties on us if we fail to comply with any provision of the concession agreements, including compliance with the established quality standards. Depending on the severity of the non-compliance, these penalties could include:

- fines per breach of up to 2.0% of the concessionaire's revenues in the year ended immediately prior to the date of the relevant breach;
- injunctions related to the construction of new facilities and equipment;
- restrictions on the operation of existing facilities and equipment;
- temporary suspension from participating in bidding processes for new concessions for a term up to two years;

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- intervention by ANEEL in the management of the concessionaire in breach; and
- termination of the concession.

In addition, the Federal Government has the power to terminate any of our concessions or authorizations, prior to the end of the concession term in the case of bankruptcy or dissolution, or by means of expropriation for reasons related to the public interest.

Also, delays regarding the implementation and construction of new energy undertakings can also trigger the imposition of regulatory penalties by ANEEL, which, in accordance to ANEEL's Resolution No. 63 dated May 12, 2004, can vary from warnings to the early termination of these concessions or authorizations.

We cannot assure you that ANEEL will not impose penalties or terminate our concessions or authorizations in the event of a breach. Any compensation we may receive upon the termination of the concession contract and/or the authorizations may not be sufficient to compensate us for the full value of certain investments. If any of our concession agreements are terminated and we are at fault, the effective amount of compensation could be reduced through fines or other penalties. Termination or imposition of penalties could adversely affect our business, results of operations and financial condition.

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We are uncertain as to the renewal of our concessions.

We carry out the vast majority of our power generation, transmission and distribution activities pursuant to concession agreements entered into with the Federal Government. The Brazilian Constitution requires that all concessions relating to public services be awarded through a bidding process. In 1995, in an effort to implement these constitutional provisions, the Federal Government adopted certain laws and regulations, known collectively as the Concessions Law, governing bidding procedures in the power industry. In accordance with the Concessions Law, as modified by the New Industry Model Law, upon application by the concessionaire, existing concessions may be renewed by the Federal Government for additional periods of up to 20 years without being subject to the bidding process, provided that the concessionaire has met minimum performance standards and that the proposal is otherwise acceptable to the Federal Government.

In light of the degree of discretion granted to the Federal Government which is frequently advised by ANEEL- by the Concessions Law with respect to new concession contracts and the renewal of existing concessions, and given the lack of long-standing precedents with respect to the Federal Government's exercise of such discretion and interpretation and application of the Concessions Law, we cannot assure you that new concessions will be obtained or that concessions will be renewed on terms as favorable as those currently in effect. Item 4. Information on the Company Competition Concessions and Item 4. The Brazilian Power Industry Concessions. Non-renewal of any of our concessions could adversely affect our business, results of operations and financial condition.

The present structure of the Brazilian electricity sector is highly concentrated in hydroelectric generation, which makes it subject to certain risks.

The Brazilian electricity industry is highly concentrated in hydroelectric generation and faces a natural limitation on its generation capacity, as hydroelectric power plants cannot generate more electricity than is made possible by the country's water resources. As a result, natural factors may affect our generating capacity, by increasing or reducing the level of reservoirs. Control of the level of reservoirs by the ONS seeks to optimize the level of water available for hydroelectric generation in each of the power plants associated with the respective reservoirs. In this context, the ONS could, for example, prevent a generating plant located at the beginning of a river from increasing its throughput of water, if this increase were to negatively affect other plants further downstream. In the same way, the ONS may decide to increase thermal generation and reduce hydroelectric generation in order to conserve water in the reservoirs.

Shortages and/or rationing due to adverse hydrological conditions not covered by the Energy Reallocation Mechanism (as described in Item 4. The Brazilian Power Industry Energy Reallocation Mechanism) could result in increased costs and reduced cash flow. In addition, if the new energy auctions under the New Industry Model Law fail to result in an expansion in electricity generation capacity to adequate levels to meet growing demand, rationing measures could be implemented. Any limitation on our electricity generation capacity could adversely affect our business, results of operations and financial condition.

Delays in the expansion of our facilities may significantly increase our costs.

We are currently engaged in the construction of additional hydroelectric and wind farm power plants and the evaluation of other potential expansion projects. Our ability to complete an expansion project on time, within a determined budget and without adverse economic effects, is subject to a number of risks. For instance:

- we may experience problems in the construction phase of an expansion project;
- we may face regulatory or legal challenges that delay the initial operation date of an expansion project;
- our new or modified facilities may not operate at designated capacity or may cost more to operate than we expect;
- we may not be able to obtain adequate working capital to finance our expansion projects; and
- we may encounter environmental issues and claims by the local population during power plant construction.

If we experience these or other problems relating to the expansion of our electricity generation, transmission or distribution capacity, our ability to sell electric energy in amounts in line with our projections may be harmed and we may be exposed to increased costs. Consequently, we may fail to produce the revenues we anticipate in connection with such expansion projects.

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Impositions and restrictions by the environmental agencies could cause additional costs for us.

Our operations related to the generation, transmission and distribution of electricity as well as to the distribution of natural gas, are subject to various federal, state and municipal laws and regulations, and also to numerous requirements relating to the protection of health and the environment.

Non-compliance with environmental laws and regulations such as the building and operation of a potentially polluting facility without a valid environmental license or authorization- could, independently of the obligation to redress any damages that may be caused, result in criminal, civil and administrative sanctions being applied. Based on Brazilian legislation, criminal penalties such as restricting rights, and even imprisonment, may be applied to individuals (including managers of legal entities), and penalties such as fines, restriction of rights or community service may be applied to legal entities. With respect to administrative sanctions, depending on the circumstances, the environmental authorities may impose warnings and fines ranging from R\$50 thousand to R\$50 million, require partial or total suspension of activities; suspend or restrict tax benefits or cancel or suspend lines of credit from governmental financial institutions as well as prohibit the entity from contracting with governmental agencies, companies and authorities. Any of these events could adversely affect our business, results of operations or financial condition.

Furthermore, if the activities undertaken by CEMIG result, either directly or indirectly, in any environmental damage, it shall be liable for carrying out remediation, compensation or indemnification measures, the maximum value of which is not defined by law. Delays or denials of license requests by the competent environmental entities, as well as our possible inability to meet the requirements established by the environmental authorities during the environmental licensing processes, may result in additional costs, or even prohibit, as applicable, the construction and maintenance of these projects.

In addition, CEMIG is subject to Brazilian legislation requiring the payment of compensation in relation to the polluting effects of its activities. Pursuant to such legislation, up to 0.5% of the total amount invested in the implementation of a project that causes significant environmental impact must be directed towards environmental compensation measures. CEMIG has not yet assessed the effects that this legislation may have on it. See Item 4. Information on the Company Environmental Matters Compensation Measures. Any charges on CEMIG, as a result of this regulation, could be significant and may impact our business, results of operations or financial condition.

Finally, the adoption or implementation of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require us to make additional capital expenditures or incur additional operating expenses in order to maintain our current operations, curtail our production activities or take other actions that could have material adverse effect on our financial condition, results of operations and cash flow.

Our level of consumer default could adversely affect our business, results of operations and financial condition.

As of December 31, 2009, our total past due receivables from final consumers were approximately R\$877 million, corresponding to 7.94% of our net revenues for 2009, and our allowance for doubtful accounts was R\$238 million. Approximately 8.3% of the past due receivables were owed by entities in the public sector. We may be unable to recover debts from several municipalities and other defaulting clients. If these debts are not totally or partially recovered, we will experience an adverse impact on our business, results of operations and financial condition. In

addition, any consumer defaults in excess of our allowance for doubtful accounts could have an adverse effect on our business, results of operations and financial condition.

We may not be able to complete our proposed capital expenditure program.

Our by-laws contemplate that we spend up to 40.0% of our annual EBITDA (earnings before interest, income taxes, depreciation and amortization), each fiscal year, on capital investments and acquisitions. In the Extraordinary General Meeting of Shareholders held on June 17, 2010, the shareholders approved the increase of this limit up to 90% of the 2010 EBITDA. Our ability to carry out this capital expenditure program is dependent upon a number of factors, including our ability to charge adequate rates for our services, our access to domestic and international capital markets and a variety of operating and other factors. In addition, our plans to expand our generation and transmission capacity are subject to the competitive bidding process governed by the Concessions Law. We cannot give any assurance that we will have the financial resources to complete this program.

Our ability to distribute dividends is subject to limitations.

Whether or not you receive dividends depends on whether our financial condition permits us to distribute dividends under Brazilian law, whether our shareholders, on the recommendation of our Board of Directors acting in its discretion,

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determine that our financial condition warrants a suspension of the distribution of dividends in addition to the amount of mandatory distribution required under our by-laws, in case of preferred shares.

Because CEMIG is a holding company with no revenue-producing operations other than those of its operating subsidiaries, we will be able to distribute dividends to shareholders only if CEMIG receives dividends or other cash distributions from its operating subsidiaries. The dividends that our subsidiaries may distribute to us depend on our subsidiaries generating a sufficient profit in any given fiscal year. Dividends can be paid out from accumulated profits from previous years or from capital reserves. Such profits are calculated and paid in accordance with Brazilian Corporate Law and the provisions of the by-laws of each of our regulated subsidiaries.

We operate without general third party liability and catastrophe insurance policies.

We do not have general third party liability insurance covering accidents and have not asked for bids related to this type of insurance. In addition, we have not asked for bids for, nor do we carry, insurance coverage for major catastrophes affecting our facilities such as earthquakes and floods, for business interruption risk or for operating system failures. Accidents or catastrophic events may adversely affect our business, results of operations or financial condition. See Item 10. Additional Information Insurance. Also, we may incur liabilities beyond the limits provided in our current existing insurance policies.

We will need short-term funds to pay our obligations and to fund our current and expected acquisitions.

On December 31, 2009, our total debt was R\$9,277 million, of which R\$3,913 million matures in 2010. Notwithstanding the fact that we have already rolled over part of these obligations, through the issuance of R\$2,700 million in long-term notes, we will still need funds in the short term to pay or refinance the remainder of these obligations and to fund our current and expected acquisitions and investments. However, no assurance can be given that we will be able to raise such funds in a timely manner and in the amounts necessary or at competitive rates, or that we will otherwise have supplemental cash-on-hand available to pay our obligations or finance our acquisitions. If we are unable to successfully raise funds as planned, we may not be able to entirely pay our debt or meet all our acquisition commitments, and our investment program could suffer significant delays or changes, which could adversely affect our business, financial condition and prospects.

We may incur losses in connection with pending litigation.

We are currently defending several legal proceedings relating to civil, administrative, environmental, tax and other claims. These claims involve a wide range of issues and seek substantial amounts of money. Several individual disputes account for a significant part of the total amount of claims against us. Our consolidated financial statements include reserves relating to litigation claims totaling R\$ 566 million as of December 31, 2009 (excluding labor-related matters) for probable and reasonably estimable losses and expenses we may incur in connection with pending litigation. In the event that our reserves for litigation claims prove to be insufficient, the payment of litigation claims in an amount in excess of the reserved amounts could have an adverse effect on our business, results of operations or financial condition. Also, any negative outcome with respect to any litigation could adversely affect our reputation.

Labor-related legal claims, strikes and/or work stoppages could have an adverse impact on our business.

Substantially all of our employees are covered by Brazilian labor legislation applicable to private sector employees. We have entered into collective bargaining agreements with the labor unions representing most of these employees.

We are currently defending a number of labor-related claims brought by our employees that generally relate to overtime and compensation for occupational hazards. We are also subject to claims related to outsourcing of services, in which employees of our contractors and subcontractors have brought actions against us for the payment of outstanding labor liabilities. As of December 31, 2009, our labor-related claims totaled, in the aggregate, approximately R\$279 million, and at that date we had accrued a liability of approximately R\$81 million (not including judicial deposits) for losses we expect from these claims. For a more detailed discussion of labor-related proceedings, see Item 8. Financial Information Legal Proceedings Labor and Pension Fund Obligations.

We have not experienced any material labor unrest during the last three years, although in 2007 four work stoppages occurred, in 2008 one minor work stoppage occurred, and in 2009, one minor work stoppage occurred. Our operations might be interrupted by a labor disturbance in the future. We do not carry insurance for losses incurred as a result of business interruptions caused by labor action. In the event of a strike, we might face an immediate loss of revenue.

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Contract disputes, strikes, legal claims or other types of conflicts relating to our employees or the labor unions that represent them may have an adverse effect on our business, results of operations or financial condition and our ability to maintain ordinary service levels or otherwise operate our business in the manner that our consumers expect.

Foreign shareholders may not be able to enforce judgments against our directors or officers.

All of our directors and officers named in this annual report reside in Brazil. Substantially all of our assets, as well as the assets of these persons, are located in Brazil. As a result, it may not be possible for foreign shareholders to effect service of process within the United States or other jurisdictions outside Brazil upon these persons, attach their assets, or enforce against them or us in United States courts, or the courts of other jurisdictions outside Brazil, judgments predicated upon the civil liability provisions of the securities laws of the United States or the laws of such other jurisdictions. See Item 10. Additional Information Difficulties of Enforcing Civil Liabilities Against Non-U.S. Persons.

Risks Relating to Brazil

The Federal Government exercises significant influence on the Brazilian economy. Political and economic conditions can have a direct impact on our business.

The Federal Government intervenes frequently in the country's economy and occasionally makes significant changes in monetary, fiscal and regulatory policy. Our business, results of operations or financial condition may be adversely affected by changes in government policies, and also by:

- fluctuations in the exchange rate;

- inflation;

- instability of prices;

- changes in interest rates;

- fiscal policy;

- other political, diplomatic, social and economic developments which may affect Brazil or the international markets;
- control on capital flow; and
- limits on foreign trade.

Measures by the Brazilian government to maintain economic stability, and also speculation on any future acts of the government, can generate uncertainties in the Brazilian economy and increased volatility in the domestic capital markets, adversely affecting our business, results of operations or financial condition. If the political and economic situations deteriorate, we may face increased costs.

A presidential election will be held in Brazil in October 2010. The President of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and consequently, affect the operations and financial performance of businesses, such as our company. The period before the presidential election may result in changes to the existing governmental policies, and the post-election administration may seek to implement new policies. We cannot assure you that the policies of the current or any new administration would not have an adverse effect on the Brazilian economy, our business, results of operations or financial condition.

Inflation and certain governmental measures to curb inflation may contribute significantly to economic uncertainty in Brazil and could harm our business and the market value of our shares, the Preferred ADSs and the Common ADSs.

Brazil has in the past experienced extremely high rates of inflation. Inflation, and some of the Federal Government's measures taken in an attempt to curb inflation, have had significant negative effects on the Brazilian economy. Since the introduction of the *real* in 1994, Brazil's inflation rate has been substantially lower than in previous periods. According to the

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Amplified National Consumer Price Index, or IPCA, Brazilian annual inflation rates in 2007, 2008 and 2009 were 4.5%, 5.9% and 4.3% respectively. No assurance can be given that inflation will remain at these levels.

Future measures taken by the Federal Government, including interest rate increases, intervention in the foreign exchange market and actions to adjust or fix the value of the *real* may trigger increases in inflation, and consequently, have adverse economic impacts on our business, results of operations and financial condition. If Brazil experiences high inflation in the future, we may not be able to adjust the rates we charge our consumers to offset the effects of inflation on our cost structure.

Substantially all of our cash operating expenses are denominated in *reais* and tend to increase with Brazilian inflation. Inflationary pressures may also hinder our ability to access foreign financial markets or may lead to further government intervention in the economy, including the introduction of government policies that could harm our business, results of operations and financial condition or adversely affect the market value of our shares and as a result, our Preferred ADSs and Common ADSs.

Exchange rate instability may adversely affect our business, results of operations and financial condition and the market price of our shares, the Preferred ADSs and the Common ADSs.

The Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Federal Government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency generally has correlated with the rate of inflation in Brazil, devaluation over shorter periods has resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and currencies of other countries.

In 2009, the *real* appreciated 24.7% against the U.S. dollar. Between December 31, 2009 and April 1, 2010, the *real* appreciated 0.89% against the U.S. dollar. Considering the volatility the world economy is facing, no assurance can be given that the *real* will not depreciate against the dollar again. On December 31, 2009, the noon buying U.S. dollar/*real* exchange rate was R\$1.7425/US\$1.00. See Exchange Rates.

As of December 31, 2009, approximately 2.1% of our total indebtedness from loans, financings and debentures was denominated in currencies other than the *real* (90.0% of that in U.S. dollars). If the *real* depreciates against the U.S. dollar, our related financial expenses will increase and our results of operations and financial condition could be adversely affected. Our foreign exchange losses decreased from R\$113 million in 2008 to R\$95 million in 2009.

We also have entered into certain power purchase agreements that are dollar denominated. We cannot assure you that these derivatives instruments and the proceeds from our dollar-denominated purchase agreements will be sufficient to avoid an adverse effect on our business, results of operations and financial condition in case of unfavorable exchange rate fluctuations. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Exchange Rate Risk for information about our foreign exchange risk hedging policy.

Changes in economic and market conditions in other countries, especially Latin American and emerging market countries, may adversely affect our business, results of operations and financial condition, as well as the market price of our shares, the Preferred ADS and the Common ADSs.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including us. This could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all. Due to the characteristics of the Brazilian power industry (which requires significant investments in operating assets) and due to our financing needs, if access to the capital and credit markets is limited, we could face difficulties in completing our investment plan and refinancing our obligations which could adversely affect our business, results of operations and financial condition.

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Political and economic instability in Brazil may affect us.

Periodically, allegations of unethical or illegal conduct might be made with respect to figures in the Brazilian government, including legislators and/or party officials. Presidential elections will take place in October 2010 and although the current political environment is more stable than in past years, no assurance can be given that this situation will endure.

If such events lead to a materially adverse perception of Brazil among investors, the trading value of our shares, the Preferred ADSs and the Common ADSs could decline, and our ability to access international markets could suffer. In addition, any political instability resulting from such events could cause us to re-assess our strategies if the Brazilian economy suffers as a result.

Our reported financial condition and results could be affected by changes in Brazilian Accounting Principles due to the convergence to IFRS.

Brazilian Accounting Principles have been undergoing rapid change pursuant to legislation adopted late in 2007, requiring among other things that Brazilian accounting standard-setters move toward convergence with IFRS, which will be mandatory by 2010. Many new accounting standards have been adopted and are currently being implemented. Others are expected in the near future. We cannot yet predict the effects on our financial statements that will result when these changes take effect. These effects could include reducing our reported revenues, operating income or net income, or adversely affecting our balance sheet. Such changes could adversely affect our compliance with financial covenants under our financing facilities. They could also reduce the ability of our subsidiaries to pay dividends to us, or our ability to pay dividends to our shareholders.

Two aspects of IFRS that could have a material impact on us are the recognition of regulatory assets and accounting for our concessions. Accounting for our concessions includes a potential reclassification of property, plants and equipment as intangible assets, financial assets, or both. Under Brazilian Accounting Principles and U.S. GAAP, we recognize as assets and liabilities certain amounts that we are legally entitled to collect, or required to pay, in the future under the regulations applicable to our distribution subsidiaries. Depending on the outcome of the convergence with IFRS, accounting for regulatory assets and liabilities may have a material effect on our reported financial condition and results of operations. See Item 5. Operating and Financial Review and Prospects. We and other similarly situated Brazilian companies are discussing these points with the Brazilian standard-setters and regulators, but we cannot predict the outcome of those discussions or the ultimate manner in which IFRS or Brazilian accounting standards based on IFRS will apply to us.

Risks Relating to the Preferred Shares, Preferred ADSs and Common ADSs

The preferred shares and Preferred ADSs and the Common ADSs generally do not have voting rights.

In accordance with the Brazilian Corporate Law and our by-laws, holders of our preferred shares, and, by extension, holders of our Preferred ADSs representing preferred shares, are not entitled to vote at our shareholders' meetings, except in very limited circumstances. Holders of our Preferred ADSs may also encounter difficulties in the exercise of certain rights, including limited voting rights. Under some circumstances, such as failure to provide the depositary with voting materials on a timely basis, holders of our Preferred ADSs and Common ADSs may not be able

to vote by instructing the depositary.

Exchange controls and restrictions on remittances abroad may adversely affect holders of Preferred ADSs and Common ADSs.

You may be adversely affected by the imposition of restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and the conversion of *reais* into foreign currencies. The Federal Government imposed remittance restrictions for approximately three months in late 1989 and early 1990. Restrictions like these would hinder or prevent the conversion of dividends, distributions or the proceeds from any sale of preferred shares or common shares from *reais* into U.S. dollars and the remittance of U.S. dollars abroad. We cannot assure you that the Federal Government will not take similar measures in the future. See Item 3. Key Information Exchange Rates.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our shares, Preferred ADSs or Common ADSs.

Law No. 10,833 of December 29, 2003 provides that the disposal of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposal occurs outside or within Brazil. This provision results in the imposition of income tax on the gains arising from a disposition of our preferred shares or

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common shares by a non-resident of Brazil to another non-resident of Brazil. There is no judicial guidance as to the application of Law No. 10,833 and, accordingly, we are unable to predict whether Brazilian courts may decide that it applies to disposals of our Preferred ADSs and Common ADSs between non-residents of Brazil. However, in the event that the disposal of assets is interpreted to include a disposal of our Preferred ADSs and Common ADSs, this tax law would accordingly result in the imposition of withholding taxes on the disposal of our Preferred ADSs and Common ADSs by a non-resident of Brazil to another non-resident of Brazil.

Exchanging Preferred ADSs or Common ADSs for underlying shares may have unfavorable consequences.

The Brazilian custodian for the preferred shares and common shares must obtain an electronic certificate of foreign capital registration from the Central Bank to remit U.S. dollars abroad for payments of dividends, any other cash distributions, or upon the disposition of the shares and sales proceeds related thereto. If you decide to exchange your Preferred ADSs or Common ADSs for the underlying shares, you will be entitled to continue to rely, for five business days from the date of the exchange, on the depositary bank's electronic certificate of registration in order to receive any proceeds distributed in connection with the shares. Thereafter, you may not be able to obtain and remit U.S. dollars abroad upon the disposition of the shares, or distributions relating to the shares, unless you obtain your own certificate of registration under CMN Resolution No. 2,689 of January 26, 2000, which entitles foreign investors to buy and sell on the Brazilian stock exchanges. If you do not obtain this certificate, you will be subject to less favorable tax treatment on gains with respect to the preferred or common shares. If you attempt to obtain your own certificate of registration, you may incur expenses or suffer significant delays in the application process. Obtaining a certificate of registration involves generating significant documentation, including completing and filing various electronic forms with the Central Bank and the *Comissão de Valores Mobiliários* (the Brazilian securities regulatory body), or the CVM. In order to complete this process, the investor will usually need to engage a consultant or attorney who has expertise in Central Bank and CVM regulations. Any delay in obtaining this certificate could adversely impact your ability to receive dividends or distributions relating to the preferred shares or common shares abroad or the return of your capital in a timely manner. If you decide to exchange your preferred shares or common shares back into Preferred ADSs or Common ADSs, respectively, once you have registered your investment in the preferred shares or common shares, you may deposit your preferred shares or common shares with the custodian and rely on the depositary bank's certificate of registration, subject to certain conditions. See Item 10. Additional Information Taxation Brazilian Tax Considerations.

We cannot assure you that the depositary bank's certificate of registration or any certificate of foreign capital registration obtained by you may not be affected by future legislative or other regulatory changes, or that additional Brazilian restrictions applicable to you, the disposition of the underlying preferred shares or the repatriation of the proceeds from disposition could not be imposed in the future.

The relative volatility and illiquidity of the Brazilian securities market may adversely affect our shareholders.

Investing in Latin American securities, such as the preferred shares, common shares, Preferred ADSs or Common ADSs, involves a higher degree of risk than investing in securities of issuers from countries with more stable political and economic environments and such investments are generally considered speculative in nature. These investments are subject to certain economic and political risks, such as, among others:

- changes to the regulatory, tax, economic and political environment that may affect the ability of investors to receive payment, in whole or in part, with respect to their investments; and

- restrictions on foreign investment and on repatriation of capital invested.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. This may substantially limit your ability to sell the shares underlying your Preferred ADSs or Common ADSs at a price and time at which you wish to do so. The BM&FBovespa, the only stock exchange in Brazil upon which shares are traded, had a market capitalization of approximately R\$2.33 trillion as of December 31, 2009 and an average daily trading volume of approximately R\$5.38 billion for 2009. In comparison, the operating companies listed on the New York Stock Exchange, Inc., or the NYSE, had a market capitalization of approximately US\$12.9 trillion as of December 31, 2009 and an average daily trading volume of approximately US\$69.7 billion for 2009.

Shareholders may receive reduced dividend payments if our net income does not reach certain levels.

Under our by-laws, we must pay our shareholders a mandatory annual dividend equal to at least 50% of our net income for the preceding fiscal year, based on our financial statements prepared in accordance with the accounting practices adopted in Brazil, with holders of preferred shares having priority of payment. Our by-laws also require that the mandatory

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annual dividend we pay to holders of our preferred shares equal a least the greater of 10% of the par value of our shares or 3% of the net worth value of our shares, should the payment based on 50% of our net income not surpass this amount. If we do not have net income or our net income is insufficient in a fiscal year, our management may recommend at the annual shareholders meeting in respect of that year that the payment of the mandatory dividend should not be made. However, under the guarantee of the State Government, our controlling shareholder, a minimum annual dividend of 6% of par value would in any event be payable to all holders of common shares and preferred shares issued up to August 5, 2004 (other than public and governmental holders) in the event that mandatory distributions were not made for a fiscal year. See Item 8. Financial Information Dividend Policy and Payments for a more detailed discussion.

Holders of the Preferred ADSs and Common ADS and holders of our shares may have different shareholders rights than holders of shares in U.S. companies.

Our corporate governance, disclosure requirements and accounting standards are governed by our by-laws, by the Level 1 Differentiated Corporate Governance Practices of the BM&FBovespa, and by the Brazilian Corporate Law, which may differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as Delaware or New York, or in other jurisdictions outside Brazil. In addition, the rights of an ADS holder, which are derivative of the rights of holders of our common or preferred shares, as the case may be, to protect their interests against actions by our board of directors and controlling shareholders are different under Brazilian Corporate Law than under the laws of other jurisdictions. Rules against insider trading and self-dealing and the preservation of shareholder interests may also be different in Brazil than in the United States, potentially disadvantaging holders of the preferred shares, common shares, Preferred ADSs and Common ADSs.

The sale of a significant number of our shares or the issuance of new shares may materially and adversely affect the market price of our shares, Preferred ADSs and Common ADSs.

Sales of a substantial number of shares or the perception that such sales could take place could adversely affect the prevailing market price of our shares, the Preferred ADSs and the Common ADSs. As a consequence of the issuance of new shares or sales by existing shareholders, the market price of our shares and, by extension, the Preferred ADSs and Common ADSs, may decrease significantly.

You may not be able to exercise preemptive rights with respect to our securities.

You may not be able to exercise the preemptive rights relating to the shares underlying your Preferred ADSs or Common ADSs unless a registration statement under the United States Securities Act of 1933, as amended, or the Securities Act, is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights, and we cannot assure you that we will file any such registration statement. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will be allowed to lapse.

Item 4. Information on the Company

Organization and Historical Background

We were organized in Minas Gerais, Brazil on May 22, 1952 as a *sociedade por ações de economia mista* (a state-controlled mixed capital company) with limited liability and indefinite duration, pursuant to Minas Gerais State Law No. 828 of December 14, 1951 and its implementing regulation, Minas Gerais State Decree 3,710 of February 20, 1952. Our full legal name is Companhia Energética de Minas Gerais CEMIG, but we are also known as CEMIG. Our headquarters are located at Avenida Barbacena, 1200, Belo Horizonte, Minas Gerais, Brazil. Our main telephone number is (55-31) 3506-3711.

In order to comply with legal and regulatory provisions pursuant to which we were required to unbundle our vertically integrated businesses, in 2004 we incorporated two wholly-owned subsidiaries of CEMIG Cemig Geração e Transmissão S.A., referred to as Cemig Generation and Transmission, and Cemig Distribuição S.A., referred to as Cemig Distribution. Cemig Generation and Transmission and Cemig Distribution were created to carry out the activities of electricity generation and transmission, and distribution, respectively. Except as set forth below, this process is substantially complete.

Since December 31, 2009 the following significant changes in the Company's holdings in other companies have taken place: (a) increase in the Company's equity interest in Light S.A., through acquisition of the interest held by Andrade

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Gutierrez Concessões (AGC); and (b) increase in the equity interest in Terna, through acquisition of shares held by minority stockholders who accepted the public offer to purchase such shares. For information of stockholding changes prior to December 31, 2009, see Item 7. Major Shareholders and Related Party Transactions - Principal Shareholders .

The following chart shows our corporate structure as of June 11, 2010.

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The following are our principal subsidiaries, consolidated in our financial statements as of and for the year ended December 31, 2009:

- Cemig Generation and Transmission S.A. (100% interest) engages in electricity generation and transmission and has been in operation since January 1, 2005.
- Cemig Distribution S.A. (100% interest) engages in electricity distribution and has been in operation since January 1, 2005.
- Sá Carvalho S.A. (100% interest) produces and sells electricity, holding the concession to operate the Sá Carvalho hydroelectric power plant, with installed capacity of 78 MW. The plant started operating in 1951, and its concession expires in December 2024 but can be extended for a period of up to 20 years. CEMIG acquired control of Sá Carvalho S.A. from Acesita S.A. in December 2000.
- Rosal Energia S.A. (Rosal Energia) (100% interest) produces and sells electricity, holding the concession to operate the Rosal hydroelectric power plant, with installed capacity of 55 MW. Its concession expires in May 2032 but can be extended for a period of up to 20 years. The company was formed in October 1999 and the plant began operating on December 30, 1999. CEMIG acquired 100% of the shares of Rosal Energia from the Grupo Rede in December 2004.
- Usina Térmica Ipatinga S.A. (100% interest) is a special-purpose company producing and selling electricity at the Ipatinga thermoelectric and steam power plant, with installed capacity of 40 MW. This company was formed in August 2000, began operating in 1986, and is on loan, without consideration, to CEMIG, for 15 years, until December 2014.
- Horizontes Energia S.A. (100% interest) produces and sells electricity as an independent power producer, or IPP, at the Machado Mineiro and Salto do Paraopeba hydroelectric power plants, in the State of Minas Gerais, and the Salto Voltão and Salto do Passo Velho hydroelectric plants in the State of Santa Catarina, with total installed capacity of 14.1 MW. Their concessions expire on October 4, 2030, except Machado Mineiro which expires on July 8, 2025. The company was formed in April 2001 and the plants began operating in 1992, 1992, 2001 and 2001, respectively.
- Usina Termelétrica Barreiro S.A. (100% interest) is an IPP producing and selling energy from the Barreiro thermoelectric power plant, with installed capacity of 12.9 MW. The company was formed in April 2001 and began operating in February 2004 with its authorization extending until 2023.
- Central Termelétrica de Cogeração S.A. (100% interest) operated the Barreiro thermoelectric power plant but is now a non-operational company, since operation of the plant was subsequently transferred to Usina Termelétrica Barreiro S.A. Central Termelétrica de Cogeração S.A. was formed in July 2002.

- Cemig PCH S.A. (100% interest) is an IPP operating the 23MW Pai Joaquim small hydro plant and selling the electricity produced. The company was formed in October 2001 and began operating in March 2004 under an authorization that expires in April 2032.
- Central Hidrelétrica Pai Joaquim S.A. (100% interest) operates the Pai Joaquim small hydro plant but is now a non-operational company after the plant was subsequently transferred to Cemig PCH S.A. Central Hidrelétrica Pai Joaquim S.A. was formed in July 2002.
- Cemig Capim Branco Energia S.A. (100% interest) operates the two-plant Capim Branco generating complex, through the Capim Branco Energia Consortium. The complex, renamed the Amador Aguiar Complex, has potential total installed capacity of 450 MW. The company was formed in May 2001 and the Capim Branco I plant began operating in February 2006, and Capim Branco II in March 2007. The concession runs until August 2036.
- Cemig Baguari Energia S.A. (100% interest) is CEMIG's vehicle for participation in the Baguari Hydro Plant consortium, operating the Baguari Hydro Plant. This company was formed in July 2006 and CEMIG later decided to take part in the consortium through the company Baguari Energia S.A.
- Cemig Trading S.A. (100% interest) provides services related to the sale and trading of electricity in the Brazilian electricity sector, such as evaluation of scenarios, representation of clients in the CCEE, structuring and

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intermediation of electricity purchase and sale transactions, and consultancy and advisory services. It also buys and sells electricity in the Free Market to meet the needs of its clients. It was created in July 2002.

- Efficientia S.A. (100% interest) provides electricity efficiency and optimization services, consultancy and solutions, and also operating and maintenance services to electricity supply facilities. The company was formed in January 2002.
- Cemig Telecomunicações S.A. (100% interest) provides telecommunications and related services, through multiservice networks using fiber optic cable, coaxial cable and other electronic equipment. Cemig Telecomunicações S.A. was formed in January 1999 as Empresa de Infovias S.A. In 2002, CEMIG acquired a stake in such company held by AES.
- Cemig Serviços S.A. (100% interest) was formed in April 2008 to provide services related to generation, transmission and distribution of electric power.

Our consolidated financial statements for the years ended December 31, 2009, 2008 and 2007 include the financial results of CEMIG and all its subsidiaries (operational and pre-operational) described above. See Notes 1 and 9 to the consolidated financial statements. At December 31, 2009, the following investments were not consolidated:

- Light S.A. (13.03% interest in its total capital) The main holdings of Light S.A. are Light Energia, a generator of electricity, Light Serviços de Eletricidade S.A., an electricity distributor, and Light Esco Ltda., which operates in energy trading and energy efficiency. For further details, please see Investment in Light.
- Companhia de Gás de Minas Gerais (Gasmig) (jointly controlled, 55.19% interest) acquires, transports, distributes and sells natural gas. Gasmig was formed in July 1986 and in December 2004, CEMIG sold 40% of its interest in Gasmig to Gaspetro, a wholly owned subsidiary of Petrobras, and entered into a Stockholders Agreement with Petrobras and Gaspetro. Gasmig holds a concession for distribution of piped gas throughout the state of Minas Gerais for a period of 30 years beginning in January 1993, and this period may be extended.
- Empresa Paraense de Transmissão de Energia S.A. (ETEP) (jointly controlled, 40.19% interest) is the holder of a public service electricity transmission concession for the transmission line originating at the Tucuruí Substation and ending at the Vila do Conde Substation in the State of Pará. ETEP was formed in March 2001 and CEMIG acquired its interest in ETEP in August 2006.
- Empresa Norte de Transmissão de Energia S.A. (ENTE) (jointly controlled, 36.69% interest) is the holder of a public service electricity transmission concession for two 500-kV transmission lines, the first from the Tucuruí Substation to the Marabá Substation in the State of Pará, and the second from the Marabá Station to the Açailândia Substation in the State of Maranhão. ENTE was formed in September 2002 and CEMIG acquired its interest in ENTE in August 2006.

- Empresa Regional de Transmissão de Energia S.A. (ERTE) (jointly controlled, 36.69% interest) is the holder of a public service electricity transmission concession for the 230-kV transmission line from the Vila do Conde Substation to the Santa Maria Substation in the State of Pará. ERTE was formed in September 2002 and CEMIG acquired its interest in ERTE in August 2006.
- Empresa Amazonense de Transmissão de Energia S.A. (EATE) (jointly controlled, 36.35 % interest) is the holder of the public service electricity transmission concession for the 500-kV transmission lines between the sectionalizing substations of Tucuruí, Marabá, Imperatriz, Presidente Dutra and Açailândia. EATE was formed in March 2001, and CEMIG acquired its interest in EATE in August 2006.
- Empresa Catarinense de Transmissão de Energia S.A. (ECTE) (jointly controlled, 13.37% interest) is the holder of the public service electricity transmission service concession for the 525-kV transmission line from the Campos Novos Substation to the Blumenau Substation in the State of Santa Catarina. ECTE was formed in August 2000, and CEMIG acquired its interest in ECTE in August 2006.
- Companhia de Transmissão Centroeste de Minas (jointly controlled, 51.0% interest) engages in building, implementing, operating and maintaining the 345-kV transmission line from the substation of the Furnas hydroelectric power plant to a substation located in Pimenta. Companhia de Transmissão Centroeste de Minas was formed in October 2004 and the period of the concession for the Furnas Pimenta transmission line is 30 years, beginning in March 2005.

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- Companhia Transleste de Transmissão (jointly controlled, 25.0% interest) built and operates the 345-kV transmission line connecting a substation in Montes Claros to the substation of the Irapé hydroelectric power plant. This company was formed in October 2003 and began operating in December 2005. The concession period of the Irapé-Montes Claros transmission line is 30 years, beginning in February 2004.
- Companhia Transudeste de Transmissão (jointly controlled, 24.0% interest) built, operates and maintains the 345-kV transmission line from Itutinga to Juiz de Fora. Companhia Transudeste de Transmissão was formed in October 2004 and began operating in February 2007. The period of the concession for the Itutinga Juiz de Fora transmission line is 30 years, beginning in March 2005.
- Companhia Transirapé de Transmissão (jointly controlled, 24.5% interest) built, operates and maintains the 230-kV Irapé Araçuaí transmission line. Companhia Transirapé de Transmissão was formed in December 2004 and began operating in May 2007. The period of the concession for the transmission line is 30 years, beginning in March 2005.
- Empresa Brasileira de Transmissão de Energia S.A. (EBTE) (jointly controlled, 49% interest) was formed in July 2008 as a special-purpose company to build, operate and maintain 481.6 miles of transmission lines: the 144.16 mile, 230kV, double-circuit Brasnorte Juba transmission line; the 65.87 mile double-circuit Brasnorte Parecis transmission line; the 133.59 mile double-circuit Brasnorte Juína transmission line, the 90.10 mile single-circuit Nova Mutum Sorriso transmission line, and the 47.85 mile, 230kV, single circuit Sorriso Sinop transmission line, and the Parecis and Juína 230/138/13.8 kV substations, to transmit hydroelectrically generated electricity from the Dardanelos and Jurueña complexes and strengthen the regional transmission system. Partial operational startup is planned for September 2010.
- Transchile Charrúa Transmisión S.A. (jointly controlled, 49% interest) is engaged in building, operating and maintaining the 220 kV Charrúa Nueva Temuco transmission line in Chile. Transchile Charrúa Transmisión S.A. was formed in July 2005. The period of the concession for the line is 20 years, beginning in May 2005, and it may be extended for an equal period. Its commercial operation began in January 2010.
- Baguari Energia S.A. (jointly controlled, 69.39% interest) is a special-purpose company formed in April 2008 to operate the electricity generation concession of the Baguari power plant (140 MW), through the Baguari AHE Consortium, in which CEMIG has a 49% interest. The period of the concession is 35 years, beginning in August 2006. The first and the second generation units started operating on September 9, 2009, and November 26, 2009, respectively. The third generation unit started operating on March 2, 2010 and the last generation unit started operating on May 19, 2010.
- Hidrelétrica Cachoeirão S.A. (jointly controlled, 49% interest) built and operates the Cachoeirão small hydro plant (PCH), on the Manhuaçu River, in the municipalities of Pocrane and Alvarenga, in the State of Minas Gerais, with installed capacity of 27 MW. Hidrelétrica Cachoeirão S.A. was formed in January 2007 and began operating in December 2008. Its concession period is 30 years, beginning in July 2000.
- Hidrelétrica Pipoca S.A. (jointly controlled, 49% interest) is engaged in building, operating and selling electricity generated by the Pipoca power plant on the Manhuaçu River, in the municipalities of Caratinga and Ipanema. Hidrelétrica Pipoca S.A. was

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formed in June 2004 and CEMIG acquired its interest in May 2008. The plant has installed capacity for 20 MW, with startup of the first generation unit planned for August 2010. The second and the third generation units are expected to start their operations in September 2010 and in October 2010, respectively. Its authorization period is 30 years, beginning in September 2001.

- Guanhães Energia S.A. (jointly controlled, 49% interest) is engaged in building and operating the Dores de Guanhães, Senhora do Porto and Jacaré small hydro plants in the municipality of Dores de Guanhães, and the Fortuna II plant in the municipalities of Guanhães and Virginópolis, with aggregate capacity of 44 MW. Guanhães Energia S.A. was formed in June 2006 and CEMIG acquired its interest in October 2007. Construction is planned to begin in 2010, and operational startup is planned for the first half of 2012. Its authorization period is 30 years, beginning in 2001 for Fortuna II, October 2002 for Jacaré and Senhora do Porto unit, and November 2002 for Dores de Guanhães.

- Madeira Energia S.A.(MESA) (jointly controlled, 10% interest) is a special-purpose company, formed in August 2007 to build, operate and maintain the Santo Antônio hydroelectric plant, through its wholly owned

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subsidiary Santo Antônio Energia S.A. (SAESA). The plant is being built in the basin of the Rio Madeira, in the Northern region of Brazil. It will have generating capacity of 3,150 MW and is expected to start operating in 2012. Its concession period runs for 35 years, beginning in June 2008.

- Central Eólica Praias de Parajuru S.A. (jointly controlled, 49% interest) is located in the county of Beberibe, in the State of Ceará, 63 miles from the state's capital, Fortaleza. Started commercial operation in August 2009. All the electricity, totaling 106,604 MWh/year, has been sold to Eletrobras, under the Program to Encourage Alternative Sources of Electricity (Proinfa Program) for a period of 20 years.
- Central Eólica Praia do Morgado S.A. (jointly controlled, 49% interest) is located in the county of Acaraú, in the State of Ceará, 174 miles from the State's capital, Fortaleza. It started operating in May 2010. All the electricity, totaling 115,636 MWh/year, has been sold to Eletrobras, under the Proinfa Program for a period of 20 years.
- Central Eólica Volta do Rio S.A. (jointly controlled, 49% interest) is located in the county of Acaraú, in the State of Ceará, 149 miles from the State's capital, Fortaleza, is expected to start operation in July 2010. All the electricity, totaling 161,238 MWh/year, has been sold to Eletrobras, under the Proinfa Program for a period of 20 years.
- Axxiom Soluções Tecnológicas S. A. (49% interest) provides complete services of systems implementation and management to electricity sector companies (generation, transmission and distribution). Axxiom Soluções Tecnológicas S. A. was formed on August 27, 2007 and began operating in the second half of 2008.

On July 3, 2008, CEMIG's Board of Directors authorized Cemig Generation and Transmission to acquire a 49% stake in the Itaocara Hydroelectric Power Plant and the Paracambi and Lajes Small Hydroelectric Power Plants and to join, by contract: the UHE Itaocara Consortium, in partnership with Itaocara Energia Ltda.; the PCH Paracambi Consortium, in partnership with Lightger Ltda.; and the PCH Lajes Consortium, in partnership with Light Energia S.A. The objective of each consortium is to produce technical and economic feasibility studies and to plan, build, operate and maintain the respective power plants.

The Lajes Small Hydro Plants are still at the planning and feasibility study stages.

On February 4, 2009, Cemig Generation and Transmission's Board of Directors authorized the offering of a binding proposal for a share purchase agreement to Energimp S.A. to purchase a 49% interest in three wind farms located in the State of Ceará, Brazil for R\$213 million. The transaction was completed on August 15, 2009, for R\$223 million.

The wind farms acquired include the Praias de Parajuru Wind Farm, which started operating in August 2009, the Praia do Morgado Wind Farm, which started operating in May 2010, and the Volta do Rio Wind Farm, which is expected to begin operating in July 2010, with a total installed capacity of 99.6 MW. The acquisitions were approved by ANEEL, the Federal Savings Bank (Caixa Econômica Federal), Eletrobras, and the

antitrust authority CADE (Conselho Administrativo de Defesa Econômica).

Through our subsidiaries, we believe we are the largest integrated concessionaire of electric power generation, transmission and distribution in Brazil. We operate our generation, transmission and distribution businesses pursuant to concession agreements with the Federal Government. We are party to concession agreements with ANEEL that consolidate our various generation concessions into one agreement and our several distribution concessions into four distribution concessions covering the northern, southern, eastern and western regions of Minas Gerais. We are also party to a concession agreement with ANEEL with respect to our transmission operations. In connection with the unbundling, on September 16, 2005, ANEEL approved the transfer of our concession for distribution services to Cemig Distribution and the transfer of our concession for transmission services to Cemig Generation and Transmission. On October 22, 2008, ANEEL approved the transfer of our generation concession to Cemig Generation and Transmission.

On December 31, 2009, we generated electricity at 54 hydroelectric plants, three thermoelectric plants and two wind farms and had a total installed capacity of 6,624 MW. At the same date, we owned and operated 3,085 miles of transmission lines and 281,756 miles of distribution lines. We hold concessions to distribute electricity in 96.7% of the territory of Minas Gerais.

The Brazilian electricity industry has undergone extensive regulatory restructuring as a result of which our electric generation, transmission and distribution businesses have been and will continue to be subject to increased competition. For a more detailed description of regulatory changes that affect our business. See Item 5. Operating and Financial Review and Prospects and The Brazilian Power Industry.

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Pursuant to Minas Gerais state legislation, our by-laws were amended in 1984 to allow us to participate in an expanded range of activities relating to the energy sector through separate companies. In 1986, we created Gasmig as a subsidiary to undertake the distribution of natural gas through pipelines located in Minas Gerais, of which we sold a 40% stake in 2004.

Additional Minas Gerais state legislative changes enacted in 1997 authorized us to participate in non-energy activities that can be carried out using our operating assets. In January 1999, we incorporated Empresa de Infovias S.A., a telecommunication service provider, as a joint venture with AES Força Empreendimentos Ltda., part of the AES Corporation Group. In 2002, we purchased AES Força Empreendimentos Ltda.'s interest in Empresa de Infovias S.A. (currently CEMIG Telecomunicações S.A.). We also provide consulting services and have entered into consulting agreements with electricity companies in several countries.

Acquisition of Terna

Under its strategic business plan, CEMIG has the objective of expanding its market share in the Brazilian electricity sector. For this purpose it has for some time been studying the acquisition of investments in distribution, generation and transmission businesses.

In this context, on April 23, 2009, Cemig Generation and Transmission signed a share purchase agreement with the Italian company Terna S.p.A. in relation to the shares in the transmission holding company Terna Participações S.A. (Terna). This transaction was completed on November 3, 2009 through Transmissora do Atlântico de Energia Elétrica S.A. (Atlântico), a company formed by Cemig Generation and Transmission, owning 49%, and Fundo de Investimento em Participações Coliseu (FIP Coliseu), owning 51%.

The total number of shares acquired by Atlântico was 173,527,113 common shares, representing 65.85% of the registered capital and 85.26% of the voting stock of Terna, for a price of R\$2,148,379,099.24, corresponding to R\$37.14 per unit (each unit comprises one common share and two preferred shares), and R\$12.38 for each common or preferred share. On November 4, 2009, the name of Terna Participações S.A. was changed to Transmissora Aliança de Energia Elétrica S.A. (Aliança).

In one of the agreements that regulate the partnership of Cemig Generation and Transmission with FIP Coliseu in the acquisition of the shares in Terna held by Terna Rete Elettrica Nazionale S.p.A (Terna S.p.A), there is a provision in which Cemig Generation and Transmission has granted FIP Coliseu the right to sell all of its interest in Aliança to Cemig Generation and Transmission, in the fifth year after its entry, upon payment of the amounts of capital invested net of the dividends and benefits received by FIP Coliseu in the acquisition of Terna adjusted by the variation in the IPCA inflation index +7% p.a.

Aliança is a holding company which operates in electricity transmission in 11 states of Brazil through the following companies which it controls or in which it has stockholding interests: Transmissora Sudeste Nordeste S.A. (TSN); Novatrans Energia S.A.; Empresa de Transmissão de Energia do Oeste S.A. (ETEO); Empresa de Transmissão do Alto Uruguai S.A. (ETAU) (holding 52.58% of the registered capital); Brasnorte Transmissora de Energia S.A. (holding 38.67% of the registered capital) and Terna Serviços Ltda. Together, these companies hold an aggregate 2,307 miles of transmission lines, comprising component parts of the Brazilian National Electricity Transmission Grid.

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On December 28, 2009, Atlântico was split, and the majority of it was incorporated by Aliança, being the separated part of net assets and liabilities transferred to Transmissora Alterosa de Energia S.A. (Alterosa), which assumed the obligations in relation to the public offering to acquire shares in Aliança, with the purpose to give minority stockholders the same terms in the sale of shares. After the incorporation, Cemig Generation and Transmission and FIP Coliseu directly held, respectively, 32.27% and 33.59% of the registered capital, and 41.78% and 43.48% of the voting stock, of Aliança.

The public offer to purchase shares was settled on May 11, 2010: 25,841,774 units were purchased, representing 25,841,774 common shares and 51,683,548 preferred shares, at the price of R\$38.73 per unit or R\$12.91 per common share or preferred share, a total financial volume of R\$1 billion. With the transaction, Cemig Generation and Transmission and FIP Coliseu, through Alterosa, increased their interest in the total capital of Aliança by 29.42 %, comprising 12.69% of common shares and 86.17% of preferred shares.

As a result of the public offer, Cemig Generation and Transmission and FIP Coliseu now hold an aggregate of 95.28% of the total capital of Aliança, namely 97.96% of its common shares and 86.17% of its preferred shares, with a total investment of R\$3,149 million, of which Cemig investments represent R\$1,884 million.

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Investment in Light

On December 31, 2009, through Rio Minas Energia Participações S.A. (RME), we held an indirect 13.03% interest in Light S.A., or Light, which generates, transmits and distributes electricity in the state of Rio de Janeiro. On March 28, 2006, RME signed an agreement with EDF International S.A., or EDFI, to purchase from EDFI 88.84% of its shares of Light, which represented 79.39% of the total registered capital of Light at the time of the purchase.

On May 16, 2007, the Brazilian Development Bank, or BNDES, which held convertible debentures issued by Light, exercised its option and converted 90% of the convertible debentures into shares. As a result of this conversion, representing approximately R\$713 million, BNDES became the holder of 31.44% of the total capital of Light, thereby reducing the equity interest holding of RME from 79.39% to 54.17%. On October 26, 2007, BNDES converted the remaining 10% of its convertible debentures into shares of Light, and as a result held 33.69% of the total capital of Light, diluting RME's percentage holding in Light from 54.17% to 52.25% (2.7% through its wholly owned subsidiary Lidil Comercial Ltda.).

In the second quarter of 2008, CEMIG recognized as gain R\$82.7 million from financial compensation to be paid by the other RME shareholders for CEMIG's waiver of its right to exercise an option to purchase the other RME shareholders' holdings in the generation assets of Light, which option had been purchased by CEMIG for an agreed upon amount. One RME shareholder made full payment, according to its part of the agreement, in July 2008, and the others will make their payments over a maximum of nine years, with the amounts of such payments subject to adjustment based on the SELIC rate plus 1.00% per year. Payments to CEMIG by the other RME shareholders must equal at least 10.00% of the dividends paid by Light to those shareholders each year.

On December 30, 2009, the stockholders of RME approved a stockholding reorganization based on a partial split of the company into equal parts, resulting in CEMIG and Andrade Gutierrez Concessões (AGC) holding a direct interest in Light S.A. (Light), after the transaction, while Luce Brasil Fundo de Investimento em Participações (LUCE), through Luce Empreendimentos e Participações S.A. (LEPSA), and Equatorial Energia S.A. (Equatorial), through the remaining portion of RME, kept their respective indirect interests.

On December 30, 2009, CEMIG, as purchaser, entered into share purchase agreements with AGC and Fundo de Investimento em Participações PCP (FIP PCP), the controlling stockholder of Equatorial, in relation to their respective direct and indirect stockholdings in Light. Under the provisions of these Share Purchase Agreements, the amounts were to be adjusted by the Interbank Certificates of Deposit (CDI) rate, published by Cetip S.A. Balcão Organizado de Ativos e Derivativos (the Securities Custody and Financial Settlement Center), from December 1, 2009 up to the date of closing of each transaction, less the dividends paid or declared in the period. Under the provisions of these Share Purchase Agreements, completion of the agreement signed with FIP PCP is conditional on a stockholding restructuring of Equatorial, which is the direct holder of the shares that are the subject of the transaction, and should take place in July 2010.

The share purchase agreement with AGC corresponds to 13.03% of the voting and total stock of Light. The price of the acquisition, corresponding to 26,576,149 common shares in Light, was R\$785 million, equivalent to approximately R\$29.54 per share. On March 25, 2010, CEMIG paid R\$718.5 million to AGC, corresponding to 25,494,500 shares, or 12.50% of the capital, equivalent to R\$28.18 per share. Completion of the remainder of the transaction, for 1,081,649 shares, or 0.53% of the capital, is planned for September 2010.

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The share purchase agreement with FIP PCP was entered into in connection with the acquisition of 55.41% of the indirect stockholding held by FIP PCP, the controlling stockholder of Equatorial, in Light. This interest consists of 14,728,502 common shares in Light, equivalent to 7.22% of the voting and total capital of Light. For this transaction to be completed, Equatorial will undergo a reorganization to separate out the indirect holding in Light to a new company (Newco). After that, FIP PCP will sell its indirect interest in Light, through Newco to a special purpose company in which CEMIG will hold an interest of not less than 20%. The price of this acquisition is R\$29.54 per share in Light, corresponding to R\$435.0 million, for 55.41% of the indirect interest in Light currently held by FIP PCP. If the minority stockholders of Newco exercise their tag-along rights, the value of the transaction could potentially reach a total of R\$785 million, corresponding to the total of 26,576,149 common shares in Light that Newco will hold indirectly, representing approximately 13.03% of the total and voting capital of Light.

In connection with the Share Purchase Agreements, on March 24, 2010, CEMIG entered into an option contract for sale of shares and other matters (the Put Option) with Enlighted Partners Venture Capital LLC, a limited liability company, the object of which is the grant of an option to sell the share units of Luce Investment Fund (LUCE Fund), which owns 75% of the share units in

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LUCE, which in turn is the indirect holder, through LEPSA, of 26,576,149 common shares in Light, representing approximately 13.03% of the total and voting capital of Light.

The price of the share units of LUCE Fund, in the event of the Put Option being exercised, is US\$340.5 million on December 1, 2009, less any dividends or interest on capital paid or declared from December 1, 2009 up to the exercise of the Put Option, if it is exercised.

The Put Option may be exercised from October 1 through October 6, 2010 and its exercise shall create an obligation upon CEMIG to acquire or indicate a third party that shall acquire the totality of the share units of LUCE Fund.

CEMIG's total interest in Light will depend on its interest in a special purpose company, whether minority shareholders exercise their tag-along rights and whether the Put Option is exercised.

We recognize our interest in Light as an investment and we recorded R\$132 million in income from our investment in Light in 2009.

Light's Activities

The main activities of Light are:

- Generation utilizing hydroelectric energy from the Parafba do Sul and Ribeirão das Lajes rivers, with maximum total capacity of 855 MW.
- Distribution of electricity serving a total area of 4,236 square miles of the State of Rio de Janeiro, supplying electricity to 4.0 million consumers, representing approximately 11 million people in 31 municipalities and invoicing a total of 19,084 GWh in 2009.
- Energy trading operating in the ACL and dealing with alternative energy sources.
- Energy services providing energy and infrastructure services and focusing on energy solutions for its clients as an Energy Services Company, or ESCO.

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Light invested a total of R\$ 563.8 million in 2009 in the acquisition of fixed assets, improvements to and expansion of its distribution system and transmission network for generating facilities. This amount represented a 3.13% increase over the R\$546.7 million of capital expenditures in 2008.

Light's concession agreement to provide electricity generation, distribution and transmission services in the State of Rio de Janeiro expires on June 4, 2026 but may be renewed upon application.

Transmission Concession Holders

In 2006, CEMIG, in partnership with MDU Brasil Ltda. and Brascan Brasil Ltda., acquired 50% ownership of the voting stock of the electricity transmission concession holders EATE, ENTE, ETEP, and ERTE, and 40% of the voting stock of the transmission concession holder ECTE, for R\$802 million. Together, we refer to the companies as the Brazilian Power Transmitters (*Transmissoras Brasileiras de Energia*) (TBE).

On September 24, 2008 Brookfield Brasil TBE Participações Ltda., CEMIG's partner in TBE, exercised the option to sell its shares in the companies EATE, ECTE, ENTE, ERTE and ETEP to CEMIG, Alupar Investimento S. A. (Alupar) and Centrais Elétricas de Santa Catarina (Celesc). Jointly with Alupar and Celesc, CEMIG acquired the shares formerly owned by Brookfield in the transmission companies of the TBE Group. TBE Group consists of EATE, ENTE, ETEP, ECTE, ERTE, STC, Lumitrans, EBTE and ESDE. On June 30, 2009, CEMIG acquired 95% of the shares owned by Brookfield in EATE, ENTE, ERTE, and ETEP, and 74.5% of the shares owned by Brookfield in ECTE, for an amount corresponding to R\$479.9 million. Subsequently, on July 14, 2009, an additional 4.9% of Brookfield's shares in EATE, ENTE, ERTE and ETEP, and 3.8% of Brookfield's shares in ECTE, owned by Brookfield, were acquired for R\$25.0 million. The total expenditure was R\$504.9 million.

In October 2008, EATE acquired an 80% interest in the companies Sistemas de Transmissão Catarinense S.A. (STC) and Lumitrans Companhia Transmissora de Energia Elétrica, both located in Santa Catarina, adding R\$32 million in Permitted Annual Revenue (RAP), and 122 miles of network, to the TBE Group.

Also in 2008, EATE, jointly with Cemig Generation and Transmission, won ANEEL Auction 004/2008, Lot D, for the construction, operation and maintenance of five legs of transmission line (482 miles), involving seven substations (400MVA), in Mato

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Grosso, for RAP of R\$27 million. The company EBTE was contracted to operate the project, with EATE owning 51% of the capital and Cemig Generation and Transmission owning 49%.

In May 2009, at ANEEL Auction 001/2009, ETEP was awarded Lot H, for the construction, operation and maintenance of the 345kV Santos Dumont substation, in Minas Gerais, for RAP of R\$8 million. In June 2009, Empresa Santos Dumont de Energia S.A. (ESDE) was contracted to operate the project.

Description of the transmission concession holders

On December 31, 2009, CEMIG had direct investments (jointly controlling) in EATE, ECTE, ENTE, ERTE, ETEP and EBTE, and indirect investments in STC, Lumitrans Companhia Transmissora de Energia Elétrica, and ESDE as shown in the table below.

Company	Connection	Length (Miles)	Capacity (kV)	Operation	Annual Permitted Revenue (1) (R\$million)	Concession contract (3)	Concession Expiration Date
EATE (2)	Tucuruí (Pará) to Presidente Dutra (Maranhão)	577	500	March/03	263.1	June 12, 2001	June 12, 2031
ECTE (2)	Campos Novos (Santa Catarina) to Blumenau (Santa Catarina)	157	525	March/02	59.2	November 1, 2000	November 1, 2030
ENTE (2)	Tucuruí (Pará) to Açailândia (Maranhão)	285	500	February/05	136.6	December 11, 2002	December 11, 2032
ERTE (2)	Vila do Conde (Pará) to Santa Maria (Pará)	96	230	September/04	24.1	December 11, 2002	December 11, 2032
ETEP (2)	Tucuruí (Pará) to Vila do Conde (Pará)	201	500	August/02	61.0	June 12, 2001	June 12, 2031
Lumitrans (2)	Machadinho Campos Novos	31.7	525	October/07	16.2	February 18, 2004	February 18, 2034
STC (2)	Barra Grande Lajes- Rio do Sul	114.3	230	November/07	23.5	April 27, 2006	April 27, 2036
EBTE	Brasnorte-Juba,Brasnorte-Parecis	481.6	230	Expected to start operating partially in June/10	27.3	October 16, 2008	October 16, 2038
	Brasnorte- Juína,Nova Mutum-Sorriso, Sorriso- Sinop						
ESDE	LT Barbacena 2- Santos Dumont	1.2	345	Expected to start operating partially in May/2011	8.3	November 19, 2009	November 19, 2039
	LT Santos Dumont- Juiz de Fora I						

(1) Annual revenue set by ANEEL (Resolution 843/2009) and adjusted for inflation.

(2) The operation and maintenance of transmission lines of EATE, ENTE and ERTE are carried out by Eletronorte-Centrais Elétricas do Norte do Brasil S.A. or Electronorte and of ECTE by Celesc and Eletrosul and of STC by Celesc and Lumitrans by Eletrosul.

(3) Right acquired for commercial operation of public electricity transmission services for 30 years, renewable for the same period of time.

Under the concession contracts for these lines, the annual revenue in the last 15 years of the contracts is 50% less than the annual revenue for the first 15 years, though the annual revenue is adjusted each year for inflation in connection with the transmission companies' annual review. The annual review and revenue adjustment usually takes place in the month of July. We recognize revenue on these contracts on a straight-line basis in accordance with the nature of the services provided.

Acquisition of holdings in MDU and TBE

On November 13, 2009, CEMIG signed a share purchase agreement with MDU Resources Luxembourg II LLC, S.à.r.l. (MDU) for acquisition from MDU of 13.3% of the voting and total stock of ENTE, 13.3% of the voting and total stock of ERTE and up to 10% of the voting capital of ECTE, as approved by our Board of Directors on October 28, 2009

The approximate total value of the sale is R\$100 million as of September 30, 2009. The final amount depends on whether the shareholders will exercise their right of first refusal.

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Conclusion of the transaction and the actual acquisition of the shares by CEMIG is subject to approval by ANEEL, the BNDES and other financing agents.

Completion of the transaction will result in CEMIG having a weighted average holding in TBE of 46.6% of the common stock and 39.86% of the total stock. After the repurchase of the shares owned by Eletrobras, CEMIG's holdings in the total stock and the common stock will be equal at 46.8%.

Capital Expenditures and Investments in Affiliates

Capital expenditures and investments in affiliates for the years ended December 31, 2009, 2008 and 2007 in millions of *reais*, are as follows:

	2009	Year ended December 31, 2008	2007
Acquisition of interest in Terna Participações S.A	1,070		
Acquisition of interests in transmission companies	505	37	
Acquisition of interests in wind farms	224		
Other investments	215	183	26
Sale of Way TV			(49)
Total investments in affiliates	2,014	220	(23)
Generation power projects under property, plant and equipment	87	121	242
Transmission network expansion	23	12	64
Distribution network expansion	672	792	790
Others	69	46	24
Total capital expenditures under property, plant and equipment	851	971	1,120
Total capital expenditures and investments in affiliates	2,865	1,191	1,097

We currently project capital expenditures in 2010 related to property, plant and equipment of approximately R\$1,401 million. The principal uses of these capital expenditures are expected to be for the expansion of our distribution infrastructure.

We currently project investments in affiliates of approximately R\$132 million in 2010.

We expect to fund our capital expenditures and investments in affiliates in 2010 mainly from our cash flow from operations and, to a lesser extent, through financing. As the financial markets improve, we expect to finance our expansion and projects by issuing debentures as well as through commercial paper to meet short term objectives.

Business Overview

General

We are required, like other Brazilian electric utilities, to purchase electricity from the Itaipu Hydroelectric Power Plant in an amount determined by the Federal Government based on our electricity sales. See [Distribution and Purchase of Electric Power](#) [Purchase of Electric Power](#) [Itaipu](#). In addition, we purchase energy from other concessionaires. See [Distribution and Purchase of Electric Power](#) [Purchase of Electric Power](#) [Auction Contracts](#). We also purchase energy generated by self power producers, or SPPs, and independent power producers, or IPPs, that are located within our concession area.

The following table sets forth certain information, in GWh, pertaining to the electricity that we generated, purchased from other sources and delivered during the periods specified:

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CEMIG S ELECTRIC ENERGY BALANCE

(GWh)	Year ended December 31,		
	2009	2008	2007
RESOURCES	70,548	68,318	67,698
Electricity generated by CEMIG (1)	32,830	31,291	33,150
Electricity generated by auto-producers	1,167	1,062	1,047
Electricity generated by Ipatinga			