

ENERGY CO OF MINAS GERAIS
Form 20-F
June 30, 2011
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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, 2010

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 por ações, de economia mista* (a state-controlled mixed capital company) organized 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*

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(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, and with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). For purposes of this annual report we prepared the consolidated statements of financial position as of December 31, 2010 and 2009 and January 1, 2009 and the related consolidated statements of income and comprehensive income, cash flows and changes in shareholders' equity for the years ended December 31, 2010 and 2009, in *reais* in accordance with International Financial Reporting Standards or IFRS, as issued by the IASB. As a result of our adoption of IFRS as from January 1, 2009, we are required to include in our audited financial statements as of December 31, 2010 and 2009 and for the two years ended December 31, 2010 an opening balance sheet as of January 1, 2009. These consolidated financial statements are our first consolidated financial statements prepared in accordance with IFRS. KPMG Auditores Independentes has audited our consolidated financial statements as of and for the years ended December 31, 2010 and 2009 and as of January 1, 2009 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\$1.6631 to US\$1.00, as certified for customs purposes by the U.S. Federal Reserve Board as of December 31, 2010. 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

Presentation of financial statements in accordance with IFRS

On July 13, 2007, the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM issued Rule No. 457 to require listed companies to publish their consolidated financial statements in accordance with IFRS, as issued by the IASB, starting with the year ending December 31, 2010.

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 the CVM) to issue accounting rules conforming to the accounting standards adopted in international markets. Additionally, the statute was used to set 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 have issued accounting guidance and pursue 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, which, among other things, amended numerous provisions of the Brazilian Corporate Law and tax regulation, bringing Brazilian GAAP and IFRS into closer agreement.

As result of the issuance of Law No. 11,638, and Law No. 11,941, CPC has issued approximately 60 standards, interpretations and orientations with the objective of making Brazilian GAAP similar to IFRS. The CPC issued several standards for application beginning with the year ended December 31, 2008, and during 2009 and 2010 the CPC issued several additional 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, 2010 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.

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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.

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 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 ADS. 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, Item 5. Operating and Financial Review and Prospects 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;

- 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 the maturity profile of our debt;
- 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;
- our capital expenditure plans;
- our ability to serve our consumers on a satisfactory basis;

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- 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
- 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 IFRS 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 and Presentation of Financial Information.

The selected consolidated financial data as of December 31, 2010 and 2009 and for each of the years ended December 31, 2010 and 2009, in IFRS, has been derived from our audited consolidated financial statements and the notes thereto included elsewhere in this annual report. These consolidated financial statements are our first consolidated financial statements prepared in accordance with IFRS.

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\$1.6631 per US\$1.00, the exchange rate as of December 31, 2010. 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 3, 2011, the exchange rate for *reais* was R\$ 1.5722 per US\$1.00. See Exchange Rates.

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	As and for the year ended December 31,		
	2010 (in millions of US\$)(1)(2)	2010 (in millions of R\$ except per share/ADS data or as otherwise indicated)	2009
Income Statement Data:			
Net operating revenues:			
Electricity sales to final consumers	8,028	13,352	13,233
Electricity sales to the interconnected power system	963	1,602	1,775
Use of basic transmission and distribution networks	1,932	3,213	2,235
Other operating revenues	476	791	652
Tax on revenues	(3,665)	(6,095)	(5,737)
Total net operating revenues	7,734	12,863	12,158
Operating costs and expenses:			
Electricity purchased for resale	(2,238)	(3,722)	(3,199)
Use of basic transmission and distribution networks	(438)	(729)	(853)
Depreciation and amortization	(539)	(896)	(895)
Personnel	(728)	(1,211)	(1,318)
Gas purchased for resale	(135)	(225)	(167)
Royalties for use of water resources	(84)	(140)	(154)
Third-party services	(555)	(923)	(819)
Employee post-retirement benefits	(64)	(107)	(150)
Materials and supplies	(81)	(134)	(114)
Operational provision	(83)	(138)	(124)
Employee profit sharing	(195)	(325)	(239)
Construction cost	(120)	(200)	(119)
Other	(281)	(466)	(316)
Total operating costs and expenses	(5,541)	(9,216)	(8,467)
Operating income	2,193	3,647	3,691
Financial income (expenses), net	(496)	(825)	(354)
Income before income taxes and non-controlling interests	1,697	2,822	3,337
Income taxes expense	(339)	(564)	(1,131)
Net income before non-controlling interests	1,358	2,258	2,206
Non-controlling interests			(73)
Net income	1,358	2,258	2,133
Other comprehensive income (loss)			
Comprehensive income	1,358	2,258	2,133
Basic earnings (loss): (3)			
Per common share	2.05	3.41	3.69
Per preferred share	2.05	3.41	3.69
Per ADS	2.05	3.41	3.69
Diluted earnings (loss): (3)			
Per common share	2.05	3.41	3.69

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Per preferred share	2.05	3.41	3.69
Per ADS	2.05	3.41	3.69

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	As of and for the year ended December 31,			
	2010	2010	2010	2009
	(in millions of US\$)(1)(2)	(in millions of R\$ except per share/ADS data or as otherwise indicated)	(in millions of R\$ except per share/ADS data or as otherwise indicated)	(in millions of R\$ except per share/ADS data or as otherwise indicated)
Balance Sheet Data:				
Assets:				
Current assets	4,862	8,086		8,617
Property, plant and equipment, net	4,947	8,228		8,303
Intangible assets	2,889	4,804		3,705
Financial assets	4,398	7,315		5,508
Account receivable from the Minas Gerais State				
Government	1,105	1,837		1,824
Other assets	1,974	3,283		2,337
Total assets	20,177	33,556		30,294
Liabilities:				
Current portion of long-term financing	1,325	2,203		6,659
Other current liabilities	2,525	4,200		3,620
Non-current financing	6,629	11,024		4,634
Employee post-retirement benefits Non-current	1,240	2,062		1,915
Shareholders equity	6,900	11,476		11,165
Capital stock	2,052	3,412		3,102
Other Data:				
Weighted average outstanding shares basic: (3)				
Common		298,269,668		271,154,243
Preferred		383,853,994		348,958,176
Dividends per share (3)				
Common		R\$ 1.75		R\$ 2.68
Preferred		R\$ 1.75		R\$ 2.68
Dividends per ADS (3)				
Common		R\$ 1.75		R\$ 2.68
Dividends per share (5)(3)				
Common		US\$ 1.05		US\$ 1.61
Preferred		US\$ 1.05		US\$ 1.61
Dividends per ADS (5)(3)				
Common		US\$ 1.05		US\$ 1.61
Preferred		US\$ 1.05		US\$ 1.61
Weighted average outstanding shares diluted: (3)				
Common		298,269,668		271,154,243
Preferred		383,853,994		348,958,176
Dividends per share diluted (3)				
Common		R\$ 1.75		R\$ 2.68
Preferred		R\$ 1.75		R\$ 2.68
Dividends per ADS diluted (3)				
Common		R\$ 1.75		R\$ 2.68
Dividends per share diluted (5)(3)				
Common		US\$ 1.05		US\$ 1.61
Preferred		US\$ 1.05		US\$ 1.61
Dividends per ADS diluted (5)(3)				
Common		US\$ 1.05		US\$ 1.61

(1) Converted at the exchange rate of US\$1.00 to R\$1.6631, the exchange rate as of December 31, 2010. See Exchange Rates.

(2) In millions, except per share/ADS data.

(3) This information is presented in U.S. dollars at the exchange rate in effect as of the end of each year.

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(4) Per share numbers have been adjusted to reflect the stock dividends on our shares in May 2009 and 2010, and per ADS numbers have been adjusted to reflect the corresponding adjustments to our ADS.

Exchange Rates

On March 4, 2005, the National Monetary Council (*Conselho Monetário Nacional*), or CMN, consolidated the commercial rate exchange market and the floating rate market into a single exchange market. Such regulation allows, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *reais* by a foreign person or company, without limitation as to amount. Additionally, all foreign exchange transactions must be 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 exchange rates for *reais*, expressed in *reais* per US\$1.00.

Month	Reais per US\$1.00			
	Low	High	Average	Period-end
December 2010	1.6631	1.7183	1.6955	1.6631
January 2011	1.6452	1.6921	1.6745	1.6739
February 2011	1.6597	1.6780	1.6664	1.6598
March 2011	1.6274	1.6727	1.6574	1.6287
April 2011	1.5635	1.6156	1.5833	1.5670
May 2011	1.5745	1.6382	1.6136	1.5833
June 2011 (1)	1.5722	1.5974	1.5816	1.5974

(1)As of June10, 2011.

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

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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
2010	1.6574	1.8885	1.7600	1.6631

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. 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 used, and may in the future use, its status as our controlling shareholder to decide whether 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.

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 Law No. 10,848/04 is considered to be unconstitutional by the Brazilian Supreme Court, the regulatory scheme introduced by Law No. 10,848/04 might cease to be in effect, which would generate uncertainty as to how and when the Federal Government will be able to introduce changes to the electricity industry. Accordingly, we cannot currently 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.

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 Regulated Contracting Environment - 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 their 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 may be entered into with other generating agents, energy traders, or Free Consumers , who are allowed to purchase energy directly from generating agents. Free Consumers are consumers with demand equal to or greater than 3 MW, who are allowed to choose their electricity supplier. Older contracts with this type of consumer 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. Nonetheless, the increase in market competition could lead to this type of arrangement becoming common again.

In addition to Free Consumers, Special Consumers , who are consumers with contracted demand between 500kW and 3MW, are eligible to buy energy in the Free Market so long as they buy electricity from alternative sources, such as Small Hydroelectric Plants, biomass plants or wind plants. With the growth of trading in the alternative-energy market, CEMIG acquired a portfolio of purchase contracts for this type of energy. The agreements for sale to Special Consumers also have specific flexibilities to

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comply with their particular characteristics, linked to their historical consumption level. Very wide market variations might generate short-term positions that could have a prejudicial financial impact on our results.

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 results of operations. 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 settlement prices (Preço de Liquidação de Diferenças), or PLD, which tend to be very volatile. If this occurs in periods of low settlement prices, our revenues and results of operations could be adversely affected.

Aneel has discretion to establish the rates Cemig distribution charges consumers. These rates are determined pursuant to concession contracts entered into with Aneel (acting 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 the effects of inflation on rates and allows us to pass through to consumers certain changes in our costs that are beyond our control, such as the cost of electricity we purchase and government-imposed sector 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 scale gains, which will be considered in our annual rate adjustments and passed on to 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, to the discretion of Aneel, in spite of there being pre-established rules at each review cycle.

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 be unable 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. We renegotiated and changed the terms of the CRC account on certain occasions, and on January 27, 2006 we placed the credits on the CRC account into a Credit Receivables Fund (FIDC), acquiring subordinated units of the Fund, as part of a securitization transaction. The senior units of the FIDC were subscribed by two commercial banks. The value of the FIDC on December 31, 2010 was R\$1,837 million, the amount related to the subordinated units being R\$939 million and the amount relating to the senior units being R\$898 million. The CRC Account is being repaid through the withholding of part of any dividends the State Government is entitled to receive. Senior unit holders of the FIDC are entitled to certain scheduled payments of earnings by the FIDC, which are funded by the withheld dividends and guaranteed by us. We cannot guarantee that sufficient dividends will be withheld for making scheduled payments to senior unit holders in the FIDC, which could result in us having to make certain scheduled payments to senior unit holders of the FIDC, under the terms of the guarantee we provided. 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.

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 to the ONS itself, are shared among generation, distribution and transmission companies. Until a final allocation is defined, the liability for such damages will 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 in the general meeting of the ONS, and as such, they are subject to change in the future. Our business, results of operations and financial condition might be adversely affected as a result of any such damages.

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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 implementation of our investment plan. Brazilian legislation also establishes that a state-controlled company, in general, may use proceeds from external transactions with commercial banks (debt, including bonds) only to refinance financial obligations. As a result of these regulations, our capacity to incur debt is 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 and 2010, 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 contract 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 period of up to two years;
- intervention by Aneel in the management of the concessionaire that it is 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, under Aneel's Resolution No. 63 of May 12, 2004, can vary from warnings to the early termination of these concessions or authorizations.

We cannot guarantee 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 of our concession contracts, or imposition of penalties might adversely affect our business, results of operations and financial condition.

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We cannot be certain of 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 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 clearly setting out how the Federal Government intends to exercise its discretionary power and interpret and apply the Concessions Law, we cannot guarantee that new concessions will be obtained or that concessions will be renewed on terms as favorable as those currently in effect. See 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.

Brazilian electricity production, and, consequently, our business, is highly dependent on hydroelectric power plants, which in turn depend on climate conditions to produce electricity.

More than 70% of the present installed capacity of the Brazilian electricity generation system is hydroelectric. There are substantial variations in water flow both from month to month (seasonal variations) and also in the total flow to a plant over the whole of a year, and these flows depend, fundamentally, on the quantity of rainfall during the rainy season. In addition, rainfall is not uniform over all the river basins.

To balance production and consumption, the Brazilian system is almost entirely interconnected by a transmission grid. The decision on where to generate, and from what source, is taken by the National System Operator (Operador Nacional do Sistema - ONS), the principal function of which is to operate the available resources in an optimal manner, minimizing the cost of operation and the risks of an electricity shortage. In the event of periods of adverse hydrological conditions, the ONS might decide to save water in the reservoirs of the hydroelectric plants and increase thermal generation, which has the effect of increasing the cost for the hydroelectric generators. Also, in the event of scarcity of energy due to adverse hydrological situations, the system might undergo rationing, which could result in increased costs and a decrease in our cash flow.

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, transmission lines and substations, and the evaluation of other potential expansion projects. Our ability to complete an expansion project on time, within a given budget and without adverse economic effects, is subject to a number of risks. For instance:

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- 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 achieve the revenues we expected in connection with such expansion projects.

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Requirements 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. Delays or denials of license requests by the environmental authorities, 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 the construction and maintenance of these projects.

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, in addition to the obligation to redress any damage that may be caused (which is not subject to any limit), result in criminal, civil and administrative sanctions being applied to us. Based on Brazilian legislation, criminal penalties such as restriction of 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 and financial condition.

CEMIG is also subject to Brazilian legislation requiring the payment of compensation in relation to the polluting effects of its activities. Under state and federal law enacted in 2009, up to 0.5% of the total amount invested in the implementation of a project that causes significant environmental impact must be applied toward compensation measures, in an amount determined on a case by case basis by environmental authorities according to the extent of the environmental impact. Certain provisions of state legislation set forth that such compensation measures must also be adopted retroactively to projects concluded before the enactment of the relevant laws. The retroactive nature of these provisions is being challenged by some companies and the matter is being discussed again among SEMAD, the Attorney General of the State-AGE and the Federation of Industries of Minas Gerais - FIEMG and it is not clear whether they will apply. We have not yet assessed the effects of this legislation on CEMIG, but it could result in additional costs for the Company, which might affect our business, results of operation and financial condition. See Item 4. Information on the Company Environmental Matters Compensation Measures.

In addition, the state laws of Minas Gerais, where the greater part of CEMIG's operations is located, requires a Legal Forest Reserve corresponding to 20% of the total area of the rural property owned by certain entities, and the environmental authorities are currently debating whether this requirement applies to companies in the electricity sector. If a Legal Forest Reserve is found to be required for companies in the electricity sector, our business, results of operations and financial condition might be adversely affected. See Item 4. Information on the Company Environmental Matters Legal Forest Reserves.

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 a 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.

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As of December 31, 2010, our total past due receivables from final consumers were approximately R\$1,479 million, corresponding to 11.50% of our net revenues for 2010, and our allowance for doubtful accounts was R\$555 million. Approximately 11.29% 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 consumers. 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 might be unable to complete our proposed capital expenditure program.

Our by-laws state that we may use 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 our Extraordinary General Meeting of Shareholders held on June 17, 2010, the shareholders approved an increase of this limit to 90% of our 2010 EBITDA. Our ability to carry out our 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, which could affect our business, results of operations and financial condition.

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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, and whether our shareholders, on the recommendation of our Board of Directors acting in its discretion, determine that our financial condition warrants a suspension of the distribution of dividends in excess of the amount of mandatory distribution required under our by-laws, in the case of the 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 sufficient profit in any given fiscal year. Dividends can be paid out from the profit accrued on each fiscal year, or 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 insurance policies against catastrophes and general third party liability.

We do not have general third party liability insurance covering accidents and have not asked for bids related to this type of insurance, except for insurance covering third party liability in connection with air travel. 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, nor for business interruption risk; nor 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 coverage limits provided in our current insurance policies.

We cannot guarantee that our insurance policies are sufficient to cover in full any liabilities that may arise in the course of our business nor that these insurance policies will continue to be available in the future. The occurrence of claims in excess of the amount insured or which are not covered by our insurance policies might generate significant and unexpected additional costs for us, causing an adverse effect on our business and results of operation and financial condition.

We will need funds in the short term to fund our current and expected acquisitions.

We will need funds in the short term to fund our current and future 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 finance our investments and our acquisitions. If we are unable to raise funds as planned, we may be unable to meet our acquisition commitments, and our investment program could suffer delays or significant changes, which could adversely affect our business, financial condition or prospects.

We may incur losses in connection with pending litigation.

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We are currently defending several legal and administrative proceedings relating to civil, administrative, environmental, tax and other claims. These claims involve a wide range of issues and seek indemnities and reparation in money and by specific performance. Several individual disputes account for a significant part of the total amount of claims against us. Our consolidated financial statements include contingency provisions in the total amount of R\$257 million as of December 31, 2010 for actions in which the existence of a present obligation on the date of the financial statements was considered to be more likely than not. (excluding labor-related provisions for which the total is R\$114 million, as disclosed below).

Under IFRS, we classify the risk of adverse results in these proceedings as remote, possible or probable. We disclose the aggregate amounts of these proceedings that we have judged possible or probable, to the extent the amounts are known or reasonably estimable, and we record provisions for losses that we consider probable. These disclosures for 2010 are included in Item 8. Financial Information Legal Proceedings and Note 21 Legal Provisions and Contingencies to our consolidated financial statements.

We are not required to disclose or record provisions for proceedings in which our management judges the risk of loss to be remote. However, the amounts involved in certain of the proceedings in which we believe our risk of loss is remote are substantial, and the losses to us could, therefore, be significantly higher than the amounts for which we have recorded provisions. Even for the amounts recorded as provisions for probable losses, a judgment against us would have an effect on our cash flow if we are required to pay those amounts.

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Unfavorable decisions in our legal proceedings may, therefore, reduce our liquidity and adversely affect our business, financial condition and results of operations. Also, any negative outcomes 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 mostly 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. See Item 8. Financial Information Legal Proceedings - Labor and Pension Fund Obligations.

As of December 31, 2010, our labor-related claims totaled, in the aggregate, approximately R\$280 million, of which R\$114 million, considered to have a probable risk of loss, were provisioned (not including judicial deposits). In 2008 and 2009 we did not face any material labor unrest, except for a minor stoppage in 2009. In the negotiations for reaching the 2010 collective agreement, part of our employees went on strike for 20 days. Our Operational Emergency Committee was activated and the strike did not affect the supply of electricity to our consumers. 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 actions. In the event of a strike, we might face an immediate loss of revenue.

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 be unable 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

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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 flows; and/or

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- limits on foreign trade.

Measures by the Brazilian government to maintain economic stability, and also speculation on any future acts of the Brazilian 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.

The new President of Brazil took office at the beginning of 2011. The President has considerable power to determine governmental policies and actions that relate to the Brazilian economy. It is not possible to predict whether the government elected in 2010 or any succeeding governments will have an adverse effect on the Brazilian economy, and, consequently, on our business. Any changes or uncertainty regarding governmental policies may contribute to economic instability and may increase market volatility of the Brazilian securities and 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 Amplified National Consumer Price Index, or IPCA, Brazilian annual inflation rates in 2008, 2009 and 2010 were 5.9%, 4.3% and 5.9%, 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 or actions to adjust the value of the real might 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 might be unable 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 might also hinder our ability to access foreign financial markets or might 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

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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 2010, the real appreciated 4.6% against the U.S. dollar. Between December 31, 2010 and April 1, 2011, the real appreciated 2.9% 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, 2010, the U.S. dollar/real exchange rate was R\$1.6631/US\$1.00. See Exchange Rates.

As of December 31, 2010, approximately 1.45% of our total indebtedness under loans, financings and debentures was denominated in currencies other than the real (92.0% of that being denominated 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\$98 million in 2009 to R\$13 million in 2010. We also have entered into certain power purchase agreements that are dollar denominated. We cannot guarantee that 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 the event of adverse 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.

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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 countries. 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.

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. 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.

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

The preferred shares and Preferred ADSs generally do not have voting rights and the Common ADSs can only be voted by proxy by providing voting instructions to the depositary.

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. Holders of our Common ADSs representing common shares are not able to vote at our shareholders' meetings, but rather vote by proxy by providing voting instructions to the depositary.

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

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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 of this type 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. We cannot guarantee 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 sale 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 sale 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 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 from Brazil to other countries for payments of dividends, any other cash

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distributions, or to remit the sales proceeds upon disposal of the shares. 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 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 common 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 Brazilian securities, such as the preferred shares, common shares, Preferred ADSs or Common ADSs, generally 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 for the desired price and within the desired period. The BM&FBovespa, the only stock exchange in Brazil on which shares are traded, had an average market capitalization of approximately R\$2.33 trillion and an average daily trading volume of approximately R\$5.38 billion in 2010. In comparison, the operating companies listed on the New York Stock Exchange, Inc., or the NYSE, had a market capitalization of approximately US\$14.5 trillion as of December 31, 2010 and an average daily trading volume of approximately US\$70.8 billion in 2010.

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 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 have not been made in a given fiscal year, under the terms set forth in Minas Gerais State Law No. 828 of December 14, 1951 and Minas Gerais State Law No. 15,290 of August 4, 2004. See Item 8. Financial Information Dividend Policy and Payments for a more detailed discussion.

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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 standards enacted by the IASB, by the Level 1 Differentiated Corporate Governance Practices of the BM&FBovespa, by the Brazilian Corporate Law and by the CVM. These regulations 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 other rules for 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 of shares 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 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.

The following chart shows our corporate structure as of June 17, 2011.

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The following are our principal subsidiaries, which are consolidated in our financial statements as of and for the year ended December 31, 2010, all of which are incorporated in Brazil, except Transchile Charrúa Transmisión S.A., which is incorporated in Chile:

- Cemig Geração e Transmissão S.A., or Cemig Generation and Transmission (100% interest) engages in electricity generation and transmission and has been in operation since January 1, 2005.
- Cemig Distribuição S.A., or Cemig Distribution (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 31, 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 and steam generated by the Ipatinga thermoelectric power plant, with installed capacity of 40 MW. This company was formed in August 2000. The power plant is owned by USIMINAS and CEMIG is entitled to operate this power plant since 2000 and has rights to the energy generated from the plant until 2014 as payment of a debt owed to CEMIG from USIMINAS.
- 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 for Machado Mineiro's concession, which expires on July 8, 2025. The company was formed in April 2001 and the plants began operating in 2001, except for Machado Mineiro, which began operating in 1992.
- 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 the plant 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

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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 the plant began operating in March 2004 under an authorization that expires in April 2032.
- Central Hidrelétrica Pai Joaquim S.A. (100% interest) was formed in July 2002, used to operate Pai Joaquim, a Small Hydroelectric Plant that was transferred to Cemig PCH S.A. Its corporate purpose was changed to trading in electricity by means of an amendment to its bylaws in 2010.
- 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 Amador Aguiar I plant began operating in February 2006, and Amador Aguiar II began operating in March 2007. The concession runs until August 2036.

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- Cemig Baguari Energia S.A. (100% interest) used to operate as a vehicle for CEMIG's participation in the Baguari Hydro Plant consortium, which operates 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 consumers in the CCEE, structuring and 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 consumers. It was formed 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. has a 49% interest in Ativas Data Center (Assets) (jointly controlled) which provides infrastructure provision of Information Technology - ICT, including physical hosting and related services for medium and large corporations.
- Cemig Serviços S.A. (100% interest) was formed in April 2008 to provide services related to generation, transmission and distribution of electric power.
- Light S.A. (Light) (jointly controlled, 26.06% 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 Acquisition of Interest 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 Shareholders 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.
- Transmissora Aliança de Energia Elétrica S.A. (TAESA), formerly Terna Participações S.A., (jointly controlled, 56.69% direct interest in its total capital) 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: Empresa de Transmissão do Alto Uruguai S.A. (ETAU) (holding 52.58% of the registered capital) and Brasnorte Transmissora de Energia S.A. (holding 38.67% of the registered capital). 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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- Empresa Paraense de Transmissão de Energia S.A. (ETEP) (jointly controlled, 41.96% 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, 49.99% 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, 49.99% 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, 38.53% 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.

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- Empresa Catarinense de Transmissão de Energia S.A. (ECTE) (jointly controlled, 19.09% 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) built and currently operates and maintains 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. It began commercial operation of the 345 kV, 62.5-km, 750 MVA Furnas Pimenta transmission line, in Minas Gerais, on March 25, 2010.
- 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% direct 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 Juruena complexes and strengthen the regional transmission system. Partial operational startup occurred in December 2010 and EBTE became fully operational in June 2011.
- 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 on January 21, 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 Baguari Energia

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S.A. 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 28, 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) operates and sells the electricity generated by the Pipoca power plant on the Manhuaçu River, in the municipalities of Caratinga and Ipanema. Hidrelétrica Pipoca S.A. was formed in June 2004 and CEMIG became its shareholder in May 2008. The plant has an installed capacity of 20 MW and its three generation units began operating in October 2010. The authorization expires in September 2031.

- Lightger S.A. (jointly controlled, 49% interest) is engaged in building, operating and selling electricity generated by the Paracambi small hydro plant (PCH), on the Lajes River, in the municipality of Paracambi, state of Rio de

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Janeiro, 45 miles from the state's capital, Rio de Janeiro. Originally formed as a limited liability company in December 2001, Lightger S.A. was transformed into a corporation in November 2009. CEMIG acquired its interest in August 2010. The plant has an installed capacity of 25 MW, with startup of the first generation unit planned for October, 2011. The second generation units are expected to start their operations in December 2011. Its authorization period is 30 years, beginning in May 2001.

- Guanhões Energia S.A. (jointly controlled, 49% interest) is engaged in building and operating the Dores de Guanhões, Senhora do Porto and Jacaré small hydro plants in the municipality of Dores de Guanhões and the Fortuna II plant, in the municipalities of Guanhões and Virginópolis, with aggregate capacity of 44 MW. Guanhões Energia S.A. was formed in June 2006 and CEMIG acquired its interest in October 2007. Construction is delayed and is planned to begin in 2012, and operational startup is planned for the second half of 2013. Its authorization period is 30 years, beginning in 2001 for Fortuna II, October 2002 for Jacaré and Senhora do Porto, and November 2002 for Dores de Guanhões.
- 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 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 December 2011. 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. It started commercial operation in August 2009. All the electricity, totaling 106,604 MWh/year, has been sold to Eletrobrás, 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 Eletrobrás, 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. It began operating in September 2010. All the electricity, totaling 161,238 MWh/year, has been sold to Eletrobrás, 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.
- Parati S.A. Participações em Ativos de Energia Elétrica (SPE Parati) (jointly controlled, 49% interest) has as its corporate purpose the participation in the capital stock of other companies, domestic or foreign, as a partner or shareholder.

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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 prepare technical and economic feasibility studies and to plan, build, operate and maintain the respective power plants.

On August 13, 2010 Cemig Generation and Transmission acquired from Light S.A. 49% of the registered and voting capital of Lightger S.A., a specific purpose subsidiary of Light S.A., which holds the authorization for commercial operation of the Paracambi Small Hydro Plant. Aneel's approval of the transaction was obtained through Authorizing Resolution No. 2,494 of August 3, 2010. Cemig Generation and Transmission paid a total of R\$20 million for the acquisition of 25,939,013 common shares of Lightger S.A., equivalent to a price of R\$0.769482 per share.

The Lajes Small Hydro Plant is still at the planning and feasibility study stages. The Paracambi Small Hydro Plant is expected to become fully operational in 2011. The Itaocara Hydroelectric Power Plant is expected to begin operating in 2014.

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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 started operating in September 2010, with a total installed capacity of 99.6 MW. The acquisitions were approved by Aneel, the Federal Savings Bank (Caixa Econômica Federal), Eletrobrás, 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, 2010, we generated electricity at 59 hydroelectric plants, three thermoelectric plants and four wind farms and had a total installed capacity of 6,909 MW. At the same date, we owned and operated 3,085 miles of transmission lines and 292,682 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 The Brazilian Power Industry and Item 5. Operating and Financial Review and Prospects.

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 to Gaspetro.

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, one of CEMIG's objectives is to expand its market share in the Brazilian electricity sector. In this context, on April 23, 2009, Cemig Generation and Transmission signed a share purchase agreement with the Italian company Terna Rete Elettrica Nazionale S.p.A, or 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%. Ownership of the FIP Coliseu is shared among several different investors, both individual and institutional.

Atlântico acquired 65.85% of the registered capital and 85.26% of the voting stock of Terna, for a price of R\$2,148 million. On November 4, 2009, the name of Terna Participações S.A. was changed to Transmissora Aliança de Energia Elétrica S.A. (Taesa).

Under one of the agreements that regulate the partnership of Cemig Generation and Transmission with FIP Coliseu in the acquisition of the shares in Terna, Cemig Generation and Transmission has granted FIP Coliseu the right to sell all of its interest in Taesa to Cemig Generation and Transmission, exercisable in April 2014, 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.

On December 28, 2009, Atlântico was split, and the majority of it was incorporated by Taesa, with the separated part of net assets and liabilities transferred to Transmissora Alterosa de Energia S.A. (Alterosa), a company also owned by us and FIP Coliseu.

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Alterosa assumed the obligations in relation to the public offering to acquire shares in Taesa, with the purpose to give non-controlling shareholders 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 Taesa.

On March 23, 2010, to comply with the requirement that all shareholders should receive the same terms of sale as those of the transaction with Terna S.p.a., as required by the bylaws of Taesa, Brazilian Corporate Law, CVM Instruction 361/2002 and the Regulations of Level 2 Corporate Governments Practices of BM&FBOVESPA, a tender offer was carried out for acquisition of the common and preferred shares of Taesa, and also of units representing one common share and two preferred shares each.

This tender offer was settled on May 11, 2010, with acceptance of the offer by holders of 86.17% of all shares being traded in the market, which corresponded to 77,525,322 shares (25,841,774 common shares and 51,683,548 preferred shares). The price paid was R\$12.91 per share, totaling R\$1,001 million. After the tender offer, Cemig Generation and Transmission and FIP Coliseu together held an aggregate total of 95.28% of the total capital of Taesa (97.96% of the common shares and 86.17% of the preferred shares).

On December 31, 2010, the operational companies Novatrans Energia S.A., Transmissora Sudeste Nordeste S.A. (TSN), Empresa de Transmissão de Energia do Oeste S.A. (ETEO), Taesa Serviços Ltda and the holding companies Alterosa and Transmissora Alvorada de Energia S.A. were merged into Taesa, in accordance with Aneel Authorizing Resolution No. 2,627 of November 30, 2010.

From a shareholder's perspective, these mergers were an important step for increasing efficiency at the company, providing greater strength to its financial structure and making it more competitive. These transactions are aimed, among other things, at simplifying our corporate structure. Also, the mergers are expected to result in improved security and efficiency and make Taesa the principal vehicle for growth and acquisitions within its economic group.

Cemig Generation and Transmission's total equity interest in Taesa remained unchanged on December 31, 2010, representing 56.69% of Taesa's capital stock, as follows:

Holder	Common Shares	%	Preferred Shares	%	Total	%
FIP Coliseu	101,678,120	50.0%		0.0%	101,678,120	38.6%
Cemig Generation and Transmission	97,690,473	48.0%	51,683,548	86.2%	149,374,291	56.7%
Board members	22	0.0%				