



THINKING AHEAD,
MAKING FOR THE WORLD

ANNUAL AND SUSTAINABILITY REPORT

2011

CEMIG

A Melhor Energia do Brasil.

CEMIG'S MAIN INDICATORS

Financial data (Economic Dimension – in R\$) are consolidated according to the IFRS. The other data refer to the controlling company (holding company) Cemig – Companhia Energética de Minas Gerais S.A. and its whole subsidiaries: Cemig Distribuição S.A. (Cemig D) and Cemig Geração e Transmissão (Cemig GT) in accordance with the Global Reporting Initiative (GRI) methodology.¹

General Data	2008	2009	2010	2011
Number of Consumers – in thousands ²	6,602	6,833	7,065	7,336
Number of employees	10,422	9,746	8,859	8,706
Number of municipalities serviced	774	774	774	774
Concession Area – Km ² ³	567,478	567,478	567,740	567,740
Saifi– number of interruptions (EU28)	6.53	6.76	6.56	7.01
Saidi – Hours (EU29)	13.65	14.09	13.00	14.32
Number of plants in operation ⁴	63	65	66	66
Installed capacity – MW (EU1) ⁵	6,691	6,716	6,896	6,964
Extension of transmission lines – Km (EU4) ⁵	5,755	7,506	8,768	10,060
Extension of subtransmission lines – Km (EU4)	16,810	16,959	16,835	17,367
Extension of distribution network – Km (EU4) Total	436,905	450,316	453,935	467,679
Urban	87,086	96,971	91,465	104,482
Rural	349,819	353,345	362,470	363,197
Economic Dimension				
Net Operational Revenues – R\$ million	NA	12,158	12,863	15,814
Ebtida – R\$ million	NA	4,588	4,543	5,351
Net profit (loss) – R\$	NA	2,134	2,258	2,415
Net assets – R\$	10,107	11,166	11,476	11,745
Market Capitalization (R\$ million)	15,761	19,595	18,220	22,694
Dividends Paid (R\$/share) ⁶	872	944	1,831	2,046
Dividend Yield (%)	6	6	9	11
Environmental Dimension				
Resources invested in the environment - R\$ million (EN30) ⁷	70.5	88.4	80.7	107.5
Total waste disposed – metric tonnes (EN22)	15,806	13,846	7,355	15,031
Waste recycled, reutilized or sold – metric tonnes (EN22)	15,076	13,345	7,101	14,799
Total Energy Consumption – GJ (EN3)	3,562,216	1,212,430	673,934	466,045
Total Water Consumption – cubic meters (EN8) ⁸	1,766,282	1,602,404	1,830,139	2,393,934
Fingerlings for release – thousands	616	523	523	835
Production of seedlings – thousands	416	421	360	446
CO ₂ emissions – metric tonnes (EN16)	260,641	81,069	41,904	24,479
Social Dimension				
Average number of hours of training per employee (LA10)	71.25	72.43	75.66	43.18
Total resources invested in Social Responsibility – R\$ million ⁹	45,461	45,365	77,440	75,074
Accident frequency rate – own employees (LA7) ¹⁰	0.43	0.51	0.41	0.25
Accident frequency rate – contracted employees (LA7) ¹⁰	0.94	0.96	0.60	0.79

2.8

¹ For further information on the GRI methodology, please visit the website: www.globalreporting.org.

3.10

² The chart with the number of consumers per category is described in item Cemig's Market.

3.11

³ Contemplates alterations in previous years, reflecting only the concession area of Cemig Distribuição.

EU4

⁴ Figures for Cemig.

⁵ Consolidated Cemig figures. including the proportional participation in controlled/affiliated companies, contemplating alterations in previous years for compatibilization with the new criteria.

⁶ Dividend amount for 2011 to be proposed at the Ordinary Shareholders Meeting on April 27th, 2012.

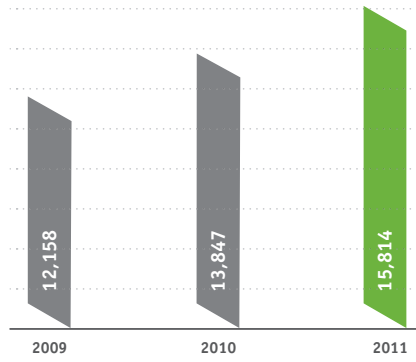
⁷ Total of resources applied in the environment directed towards operation and maintenance and to new ventures.

⁸ Total water consumed for administrative and industrial purposes.

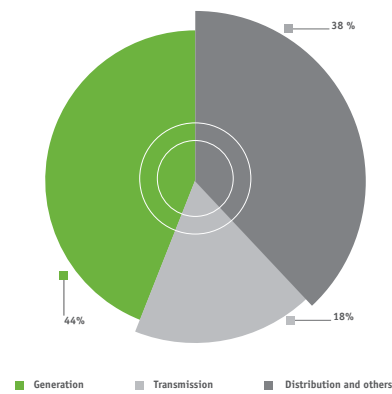
⁹ Total of resources invested in external social indicators. For further details. see Social Balance.

¹⁰ Number of accidents resulting in injuries, with time lost, per 200.000 hours worked.

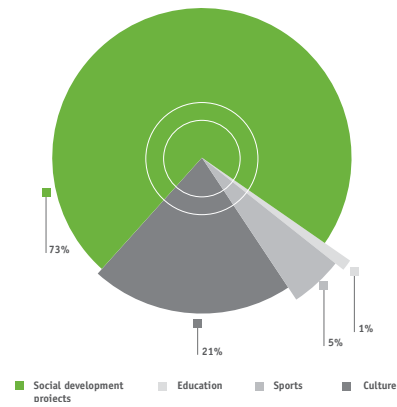
NET SALES
(R\$ million)



EBTIDA STRUCTURE PER BUSINESS 2011

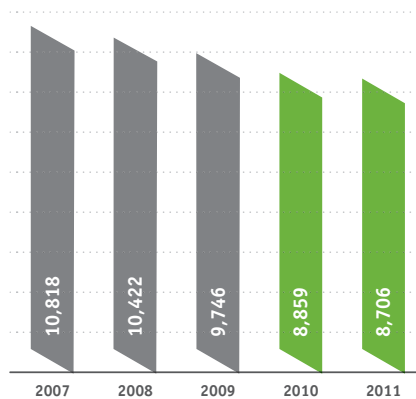


EXTERNAL SOCIAL INVESTMENTS 2011
Destination of Investments in 2011

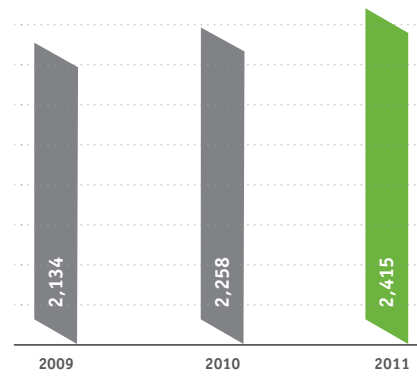


NUMBER OF EMPLOYEES*

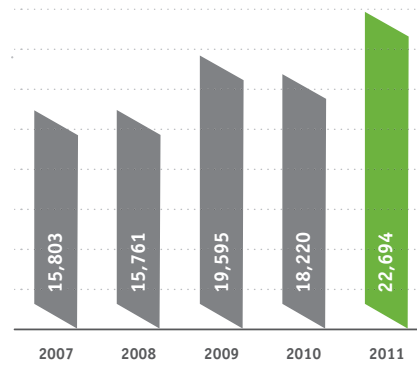
*Cemig (holding), Cemig D and Cemig GT



NET PROFIT (R\$ million)

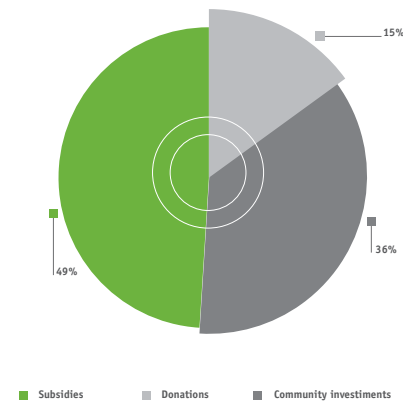


MARKET CAPITALIZATION (R\$ million)

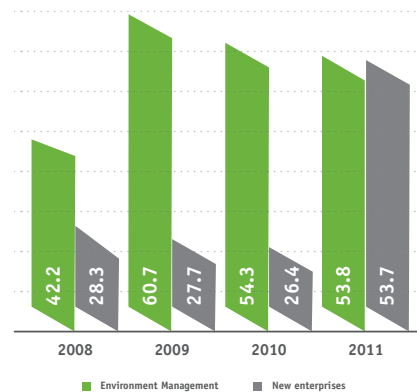


Source: Ecomatica - non-adjusted quotations, figures in R\$ million

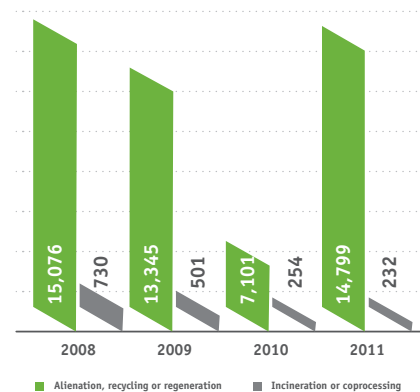
CONTRIBUTIONS RATING 2011



RESOURCES INVESTED IN THE ENVIRONMENT (R\$ million)



FINAL DISPOSAL OF WASTE (t)



BECAUSE WE'VE BEEN INNOVATORS FROM THE VERY BEGINNING

In the 1950s we managed to structure the energy sector in Minas Gerais, which until then had been fragmented and obsolete, transforming it into one of the pillars of industrial development in the State.

In the 1960s we mapped all the hydro-energy resources in Minas Gerais, radically changing the paradigms regarding the construction of plants in the country.

In the following decades, we expanded our frontiers and today we have a presence in 22 states in Brazil, in the Distrito Federal and in Chile.

We have achieved the position of the largest electric energy distributor in the country, the second largest transmission company and the third largest in terms of generation.

We have shareholders in 44 countries and have built a solid group, consisting of 114 companies and 15 consortia.

We have grown with consistent financial management, committed to the well-being of society and investing in clean energies. And the world has given us something back: we have been listed in the Dow Jones Sustainability Index for 12 straight years.


But, as we have been innovators from the very beginning, the only things we hold onto from the past are experience and pride. We are moved by the things that come next. They are the cities of the future, with their smart energy grids. They are non-polluting electric cars. They are renewable matrices, conscientious consumption, environmental actions that go beyond simple compensation.


For innovators like us, what matters is thinking ahead and doing it for the world.

2.8 Market Share in the Brazil:


- 12% in electric energy distribution.
- 7% in electric energy generation.
- 13% in electric energy transmission.
- 25% of free consumers.


Market Capitalization – R\$ 22.7 billion.
115 thousand shareholders in more than 44 countries.


 **Dow Jones Sustainability Indexes** Member 2011/12 12th consecutive year listed in the Dow Jones Sustainability Index – DJSI World 2011/2012 edition.

 **ISE** 7th consecutive year listed in the Índice de Sustentabilidade Empresarial - ISE (Corporate Sustainability Index) from BM&FBovespa S.A. (Brazilian Stock Exchange), 2011/2012 edition.

oekom r|e|s|e|a|r|c|h Classified, for the second consecutive time as Prime in sustainability by Oekom – Research, Sustainability rating agency headquartered in Germany.

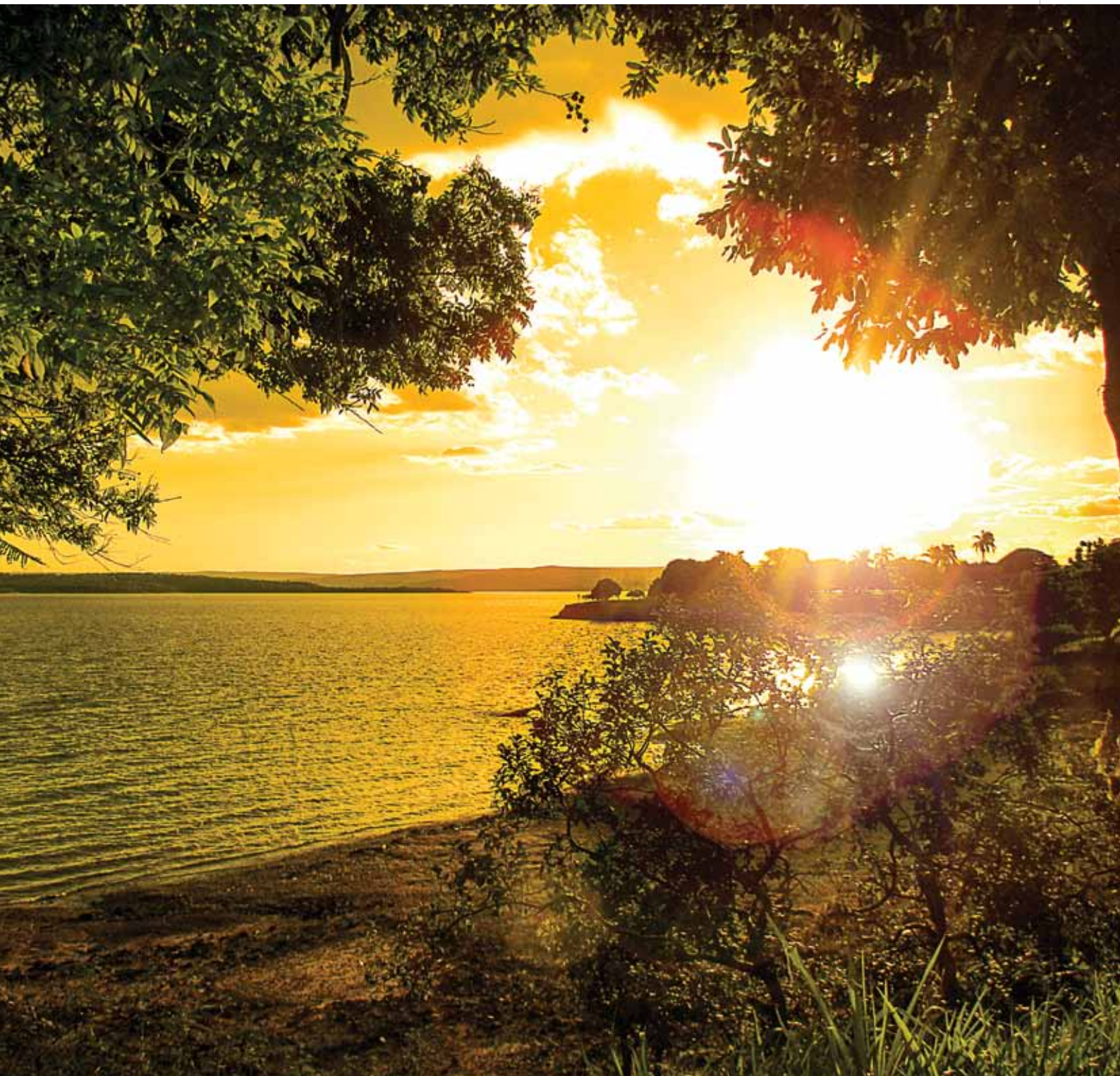
 **ICO2** Selected for the second consecutive time to be a part of the ICO2 (Efficient Carbon Index), which was created in 2011 by BMF&Bovespa and BNDES and takes into consideration companies' greenhouse gas emissions when weighing participating stocks.

 **FNG 20 ANOS** In 2011, Cemig GT was recognized as an outstanding player in the domestic market in the “Clients” category, as well as Cemig D in the “Processes” category.

 **PRÊMIO FUNDAÇÃO COGE** Cemig was awarded the 2011 Prêmio Fundação COGE (COGE Foundation Award) in the People Empowerment and Development category, with its “Succession Management Project”. In 2011, the COGE Award assessed eighty-two socially relevant projects, presented by forty-five companies in the Brazilian Energy Sector.

 **LIDE** In 2011, Cemig was awarded the Prêmio Líderes do Brasil (Brazilian Leaders Award), in the “Environmental Management Leader” category, which is presented by LIDE – Business Leaders' Group and the Brasil Econômico Newspaper.





ENVIRONMENTAL DIMENSION 75

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- 2.9 For the second consecutive year, Cemig presents the
- 3.1 Annual and Sustainability Report consolidated which
- 3.2 represents a significant improvement in relation to
- 3.3 previous years.
- 3.4
- 3.9 The consolidation of the Annual Report and the
- 3.10 Sustainability Report allows the Company to present
- 3.11 stakeholders with sets of data that contain even
- 3.13 more detailed information about Cemig's profile and its actions and plans regarding the economic, social and environmental dimensions, as well as corporate governance and strategy.

This report is produced annually and this current version concerns the 2011 fiscal year. It is also an instrument for dialoguing with stakeholders about the Company's performance.

In compliance with Brazilian legislation, beginning with the 2010 Fiscal Year (inclusively), Cemig's financial reports started to be produced in accordance with the International Financial Reporting Standards (IFRS). Adopting the IFRS standard means changing diverse accounting practices which leads to such large impacts on the companies' accounting reports that they cease to be comparable with reports from previous years, as they used to be produced in accordance with the *Brazilian Generally Accepted Accounting Principles* (BR-GAAP) standard. In order to allow for a comparison of the 2011 data with those from previous years, the Company has produced the Financial Statements from 2011 and 2010 in accordance with the IFRS standard. Some accounts were reclassified, in order to provide a better understanding of its effects in the Financial Statements.

The Company relies on a number of devices that guarantee the assertiveness of the data contained in the report, among which are independent audits, which are extended to non-accounting data, and the compulsory audits performed on accounting data. However, the information presented in previous reports may be revised, whether due to accounting reclassifications, a measurement method revision, or even changes in the nature of the business resulting from acquisitions. In those cases, in order to facilitate understanding, the explanation is displayed closed to the data.

In the 2011 version, an innovation in the data collection

methodology was adopted: in addition to the traditional requests that are sent via e-mail to the several different areas of the company, many individualized presentations have been held, aiming at those people involved in the production of the main information of the report. These presentations were a means of not only explaining the relevance of the data requested, but they also served as a communication channel with those answering the questions, as the courses enabled them to talk about the sustainability initiatives internally adopted by their sectors. In practice, this methodology turned out to be a new means of collecting information that was added to the traditional process.

Any questions regarding this report may be directed to the Corporate Sustainability Superintendence or to the Investor Relations Superintendence (contact information can be found on the back cover of this report).

ESTABLISHING THE LIMITS OF THIS REPORT

The information presented in this report refers to the controlling company (holding company) Cemig – Cia. Energética de Minas Gerais and to its wholly owned subsidiaries: Cemig Distribuição S.A. (Cemig D) and Cemig Geração e Transmissão S.A. (Cemig GT), except when mentioned in the text.

The name "**Cemig**" is used in reference to the following set of companies: Cemig Distribuição S.A., Cemig Geração e Transmissão S.A. and **Companhia Energética de Minas Gerais**. The terms "**Conglomerate**" and "**Company**" are used as a synonym for "Cemig".

The name "**Companhia Energética de Minas Gerais**" is used in reference to the employees or operations solely within the scope of the "controlling" company, or that is, excluding its subsidiaries.

The Message from the Administration, the Company's Profile and the accounting data refer to the results of all the companies in which Cemig has an equity stake. These data have been proportionately consolidated in accordance with the criteria



established in Brazilian corporate law (for further details see Explanatory Note No. 3 in the Standardized Financial Statements on the Company's website). The non-accounting data regarding the other controlled/affiliated companies covered in this Report are available in the "Profile" chapter or in specific references throughout the text.

Apart from the accounting data the Company consolidates proportionally and except when specifically mentioned in the text, Cemig has opted to not extend this report to include comments on the ventures in which it holds minority stakes and which, for that reason, it does not control. Among other companies, this is the case with the Santo Antônio Hydro Power Plant, in which Cemig has a 10% stake. The Belo Monte Power Plant, in which Cemig's stake was approved by CADE in February, 2012, is not featured in the 2011 Annual and Sustainability Report, but will be commented on in the next issue of this report. More information on these projects is available on the company's websites.

GRI - GLOBAL REPORTING INITIATIVE PRINCIPLES ADOPTED IN THE REPORT PRODUCTION PROCESS

In the production of this Report, the Global Reporting Initiative – GRI G3 (third generation) directives were adopted, which guarantees comparability with other companies. Moreover, indicators and comments from the GRI Electrical Sector Supplement have been included, as well as the progress in complying with the ten principles of the Global Compact.

All accounting data disclosed in this report were previously audited by independent auditors *KPMG Auditores Independentes* in the Company's Financial Statements (the Financial Statements are available on the company's website and on the CD attached to this report).

Even though, it is not legally bound to do so, Cemig has opted to submit all the data in this edition of the Report to independent audits in order to endow the document with an increased level of reliability. The audits were performed by Bureau Veritas Certification. In the 2011 Annual and Sustainability Report all indicators from the 2010 version were preserved, which means the reports meet all essential GRI indicators, placing the Company again at the top level of application of the GRI directives: A+ (complies with all essential directives, and the data are externally verified).

(Relevance Test) with its stakeholders in 2009. The relevant issues pointed out in the test were taken as a reference for the construction of the 2010 Annual and Sustainability Report, as well as they are being considered in the 2011 version.

Stakeholders were identified based on the communication policy of Cemig – NO-<http://www2.cemig.com.br/cemig2008/content/sustentabilidade/NO-02.14.pdf> 2:14 of 03/08/2011.

One clear piece of evidence that shows how Cemig takes into consideration relevant themes raised by society in general when conducting its operations is the fact that many of the themes mentioned in the relevance test are a reflection of the Company's strategy and are the main object of actions or programs being undertaken, as is illustrated in the table below:

RELEVANCE TEST¹

- 4.14 In order to identifying the most relevant issues to be
- 4.15 dealt in this report, Cemig held a consultation process
- 4.17

Theme	Cemig Strategy	Chapter where the actions/programs related to the theme are located in this report
Efficient use of energy and water	Be innovative in the search for technological solutions for its businesses	Ecoefficiency
Development of new energy sources		Energy Alternatives
Investments in the development of new energy sources		Resources Invested
Investments in energy efficiency		Resources Invested
Impact on the environment where its enterprises are located	Be a benchmark in social, environmental and economic sustainability	Commitment to the Environment, Environmental Management System, Environmental Licensing, Biodiversity, Protected Environmental Areas, Ichthyofauna Program, Water Resources, Climate Change, chapter on the Social Dimension, Social Strategy and Society items
Vulnerability to Climate Change		Climate Change
Strategy Management	Be a benchmark in Corporate Management and Governance	Chapter on Strategy
Cemig's Long Term Strategic Plan *		Chapter on Strategy
Explanation regarding the composition of the electric energy tariffs		Chapter on the Economic Dimension, Tariffs item
Operational costs and expenditures	Be one of the most attractive companies for investors	Chapter on the Economic Dimension, Results Analysis and Distribution item
Detailed description of the company's relationship with communities	Be a benchmark in social, environmental and economic sustainability	Social Dimension, Society chapter
Description of how resources are invested in social projects, amounts and in what the resources are invested*		Chapter on the Social Dimension, Society item
Comments on the impacts of new enterprises on communities		Chapter on the Social Dimension, Society item
Expand upon information on investments in the development of new energy sources (development and investments)*	Be innovative in the search for technological solutions for its businesses	New Energy Sources chapter/Wind Power, in the Environmental Dimension of this report

* Themes that were not present in the 2010 report and were included in the 2011 report.

¹Equivalent to the materiality test – GRI

REPORT SUBTITLES

The contents presented in this report respective to the GRI indicators and to the Global Compact principles feature highlighted markers along the text, which make their location and association with the indicator or corresponding principle easier.

The GRI Indicators and Global Compact Principles Index (at the end of the report) presents a summary of all

the information available in the Report, organized in a summarized manner.

GLOSSARY

In order to provide a better understanding of the terms featured in this report, Cemig has made available a glossary which can be accessed on the Company's website at: <http://ri.cemig.com.br/static/enu/glossario.asp?idioma=enu>



PRAÇA DA ESTAÇÃO – BELO HORIZONTE CITY

1.1 2011 was a year of remarkable accomplishments and will be a milestone in the history of Cemig, which is now celebrating its 60th anniversary in 2012. The large amount of investments, with the acquisition of new companies plus the increased value of Cemig shares, the large payment of dividends and the recording of the largest profit since its foundation enable us to conclude that we were able to add value in an outstanding manner in 2011.

In this context, the performance of our shares is noteworthy. In a year marked by the uncertainties of the international market and a reduction in domestic growth, Cemig shares, both Preferred (PN) and Common (ON), increased by 37.2% and 48.6%, respectively, as opposed to an 18.11% devaluation experienced by the Ibovespa over the same period.

In addition to the increased value of our shares, dividends amounting to R\$ 2 billion were distributed among our shareholders. When the dividends paid are added to the increased value of our shares, our shareholders can account for a return of over 11%.

With regard to financial results, 2011 witnessed the largest profit ever in Cemig's history, R\$ 2.4 billion, and a cash flow generation, as measured by EBITDA, of R\$ 5.4 billion reported in the Company's financial projections and disclosed to shareholders at our annual meeting in May in Belo Horizonte City.

Our investments in 2011 were also noteworthy: we made an important acquisition in the transmission sector, which amounted to R\$ 1.1 billion and corresponded to the acquisition of a stake in Grupo Abengoa. This acquisition alone consolidated Cemig as the 3rd largest transmission group in Brazil, with a direct or indirect share of 12.9% in the transmission market in the entire country.

In the generation sector, we acquired a 9.77% stake in the Belo Monte Hydro Power Plant, the largest plant currently under construction in the country, which boasts an installed capacity of 11,233 MW. When accounting for Cemig's 10% stake in the Santo Antônio HPP, it may be said that the company has significant activities in the Amazon region, which is the new frontier for new hydroelectric projects in Brazil. These undertakings confirm Cemig's commitment to making generation

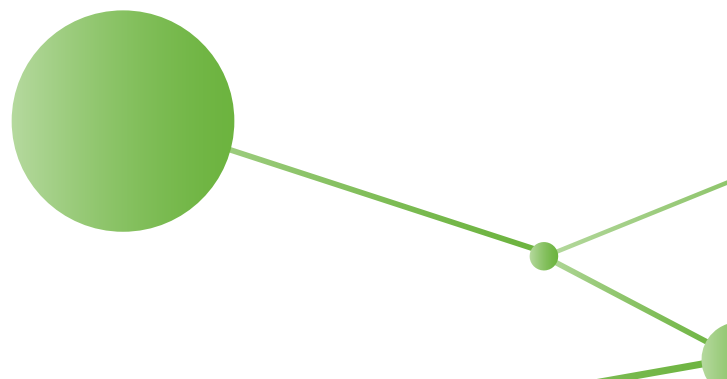
through renewable sources of energy a priority in its energy matrix.

Our stake in Light was also increased. We started the year holding a 26.1% stake in Light, accounting for the stake in Light itself or stakes held in controlled companies and the year ended with Cemig holding a 32.5% stake. This represents a strategic investment in the distribution sector in Rio de Janeiro, one of cities that will host the Fifa World Cup games and be home to the 2016 Olympic Games. Cemig is now the largest energy distribution group in Brazil. It is important to note the acquisition by Light of a stake in Renova Energia, the first and only company dedicated to the generation of energy from alternative sources listed on the BM&FBovespa. Our investments were not only made in acquisitions. It is also worth noting that Cemig Distribuição invested R\$ 1.2 billion in 2011 in its electric energy network in the State of Minas Gerais to improve the system's reliability and to expand its network in order to supply its more than 7 million consumers.

We are aware of the importance and of the responsibility of our undertakings for Brazilian society, an energy company with nationwide activities supplying more than 10 million consumers and a remarkable percentage of the Country's industrial groups.

Aware of our responsibilities concerning climate change, we issued a document listing the Company's 10 initiatives aimed at the Climate. This document is clear evidence of Cemig's preparation and commitment to a low carbon economy and aims at aligning its business based on an assessment of climate-related risks and opportunities, informing society and investors the action strategies adopted by the Company.

As a consequence of our sustainable undertakings, we are very proud of having been once again, for the 12th year in a row, listed in the Dow Jones Sustainability Index – DJSI World, which means worldwide recognition of our sustainable management practices in their economical,

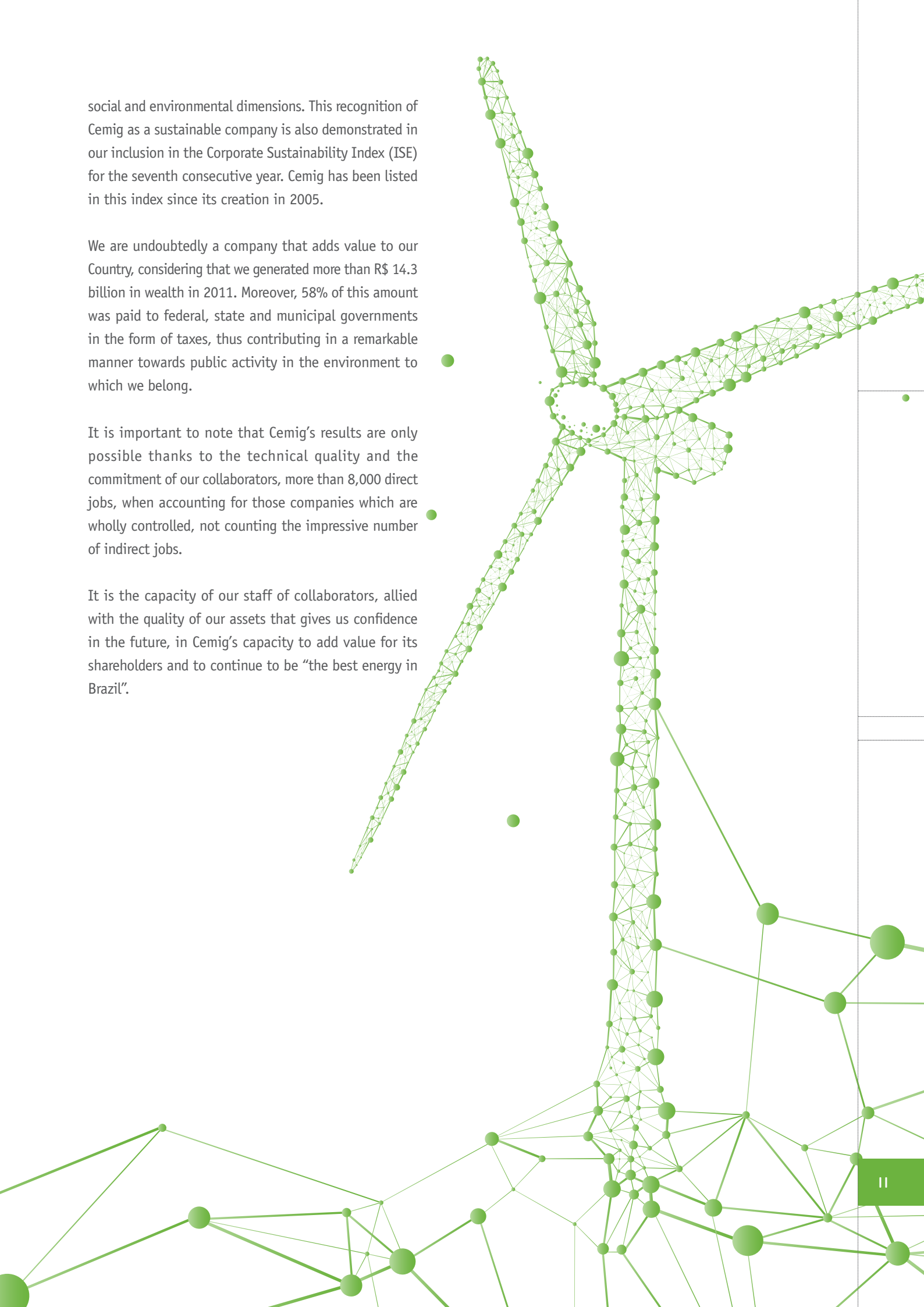


social and environmental dimensions. This recognition of Cemig as a sustainable company is also demonstrated in our inclusion in the Corporate Sustainability Index (ISE) for the seventh consecutive year. Cemig has been listed in this index since its creation in 2005.

We are undoubtedly a company that adds value to our Country, considering that we generated more than R\$ 14.3 billion in wealth in 2011. Moreover, 58% of this amount was paid to federal, state and municipal governments in the form of taxes, thus contributing in a remarkable manner towards public activity in the environment to which we belong.

It is important to note that Cemig's results are only possible thanks to the technical quality and the commitment of our collaborators, more than 8,000 direct jobs, when accounting for those companies which are wholly controlled, not counting the impressive number of indirect jobs.

It is the capacity of our staff of collaborators, allied with the quality of our assets that gives us confidence in the future, in Cemig's capacity to add value for its shareholders and to continue to be "the best energy in Brazil".





**DJALMA BASTOS
DE MORAIS**
CEO-President



**ARLINDO
PORTO NETO**
Vice-President



**FERNANDO HENRIQUE
SCHÜFFNER NETO**
Chief Business Development Officer



**FREDERICO PACHECO
DE MEDEIROS**
Chief Corporate Management Officer



FUAD JORGE NOMAN FILHO
Chief Natural Gas Officer



**JOSÉ CARLOS
DE MATTOS**
Chief Distribution and
Commercialization Officer



**JOSÉ RAIMUNDO
DIAS FONSECA**
Chief Commercial Officer



LUIZ FERNANDO ROLLA
Chief Finance and Investor
Relations Officer



**LUIZ HENRIQUE DE
CASTRO CARVALHO**
Chief Generation and
Transmission Officer



LUIZ HENRIQUE MICHALICK
Chief Institutional Relations and
Communications Officer



**MARIA CELESTE
MORAIS GUIMARÃES**
Chief Legal Officer

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**DOROTÉA FONSECA
 FURQUIM WERNECK**
 Chair of the Board of Directors

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 Ari Barcelos da Silva
 Aliomar Silva Lima
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 Rafael Cardoso Cordeiro

As of December 31st, 2011

Information on the composition, elections, mandates, main responsibilities and attributions of the Board of Directors, Audit Board and the Executive Board, as well as the board members' résumés (curriculum vitae) are available at Cemig's Investor Relations website at the following address: http://cemig.infoinvest.com.br/static/ptb/diretoria_conselheiros.asp?idioma=ptb.



PROFILE

IN 1952, JUSCELINO KUBITSCHEK THOUGHT AHEAD OF HIS TIME AND GAVE BIRTH TO CEMIG. ENGRAVED IN THE DNA OF WHOEVER IS BORN LIKE THAT IS THE INNOVATION GENE, THE ABILITY TO SEE AFAR, THE TALENT TO BREAK THROUGH BARRIERS, AND THE COURAGE TO CHANGE TO DO THINGS BETTER.



- 2.1 It has been 60 years since the Companhia Energética
- 2.2 de Minas Gerais – Cemig was created by Juscelino
- 2.3 Kubitschek de Oliveira, then Minas Gerais State
- 2.4 Governor and later President of Brazil. The history of
- 2.5 the company began on the 22nd of February, 1951. On
- 2.6 that date, he wrote the following note to late state
- 2.7 secretary of Transportation and Public Works. Dr. José
- 2.8 Esteves Rodrigues:
- 2.9

“

Dr. José Esteves: Sílvio Barbosa and Júlio will be talking to you about the plans I wish to set in motion in the electric energy sector. So as to facilitate the organization and give it a commercial character and enable negotiations with financing firms, we need to establish a holding company which is to control the general activities of the several electric energy stations we intend to build. I ask you to make arrangements with them and determine, in definitive character, the measures to be taken.

Gratefully,

Juscelino Kubitschek ”

February 2nd, 1951

Copies of this document can be found displayed at the main entrance hall and in the corridors of Cemig's head office to this day, in Belo Horizonte City, State of Minas Gerais.

Currently, Cemig is one of the most solid groups in the electric energy segment in Brazil, and is positioned as one of the main vectors for consolidation of the Brazilian electric sector. Its performance is coordinated by a holding company (Companhia Energética de Minas Gerais – Cemig) and its subsidiary companies: Cemig Geração e Transmissão S.A. (Cemig GT) and Cemig Distribuição S.A. (Cemig D). It has stakes in 144 companies, 15 consortia and one equity fund, holding assets and businesses

in 22 Brazilian states and in the Federal District, and in Chile as well. It carries out activities in electric energy generation, transmission and distribution and energy solutions. It also has investments in natural gas distribution and in data transmission. In 2011, the Company increased its stake in Light to 32.5% (26.06% directly), which is an energy distributor that supplies the Rio de Janeiro state capital and other cities throughout the state. It also has stakes in companies that comprise TBE – Transmissoras Brasileiras de Energia, which owns and operates transmission lines both in the North and in the South of Brazil. Cemig also has a 56.69% stake in the Transmissora Aliança de Energia Elétrica S.A. (Taesa).

In the electric energy distribution area, Cemig is responsible for approximately 12% of the Brazilian market (both captive and free markets).

Cemig is an open capital company controlled by the Government of Minas Gerais State with 115,000 shareholders in 44 different countries. Cemig's stocks are traded on the São Paulo, New York and Madrid stock exchanges.

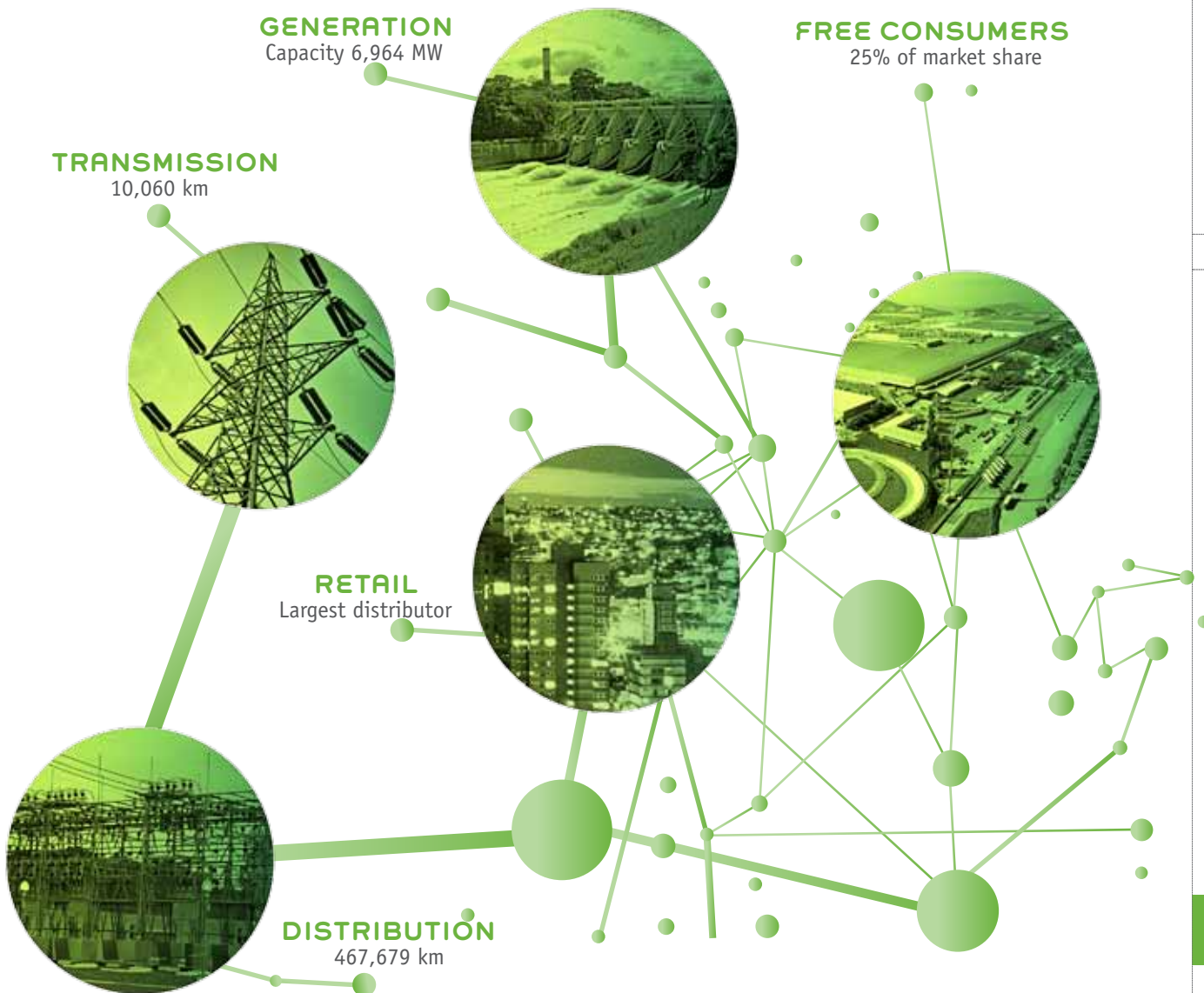
A global benchmark, Cemig is recognized for its sustainable performance. For the 12th consecutive year it has been listed in the Dow Jones Sustainability Index portfolio: the only company from Latin America's electric sector. Cemig's market capitalization reached R\$ 22.7 billion on December 30th, 2011.

The Conglomerate's consolidated net operational revenue reached R\$ 15.8 billion in 2011, based on

a matrix whose main energy sources are renewable resources. While not including the energy generated by Light S.A. (Light), Cemig's generating system boasts 6,687 MW of installed capacity, of which 96.5% refers to hydroelectric generation, 2.8% to thermal generation (of which 2.0% burns residual process gases and 0.8% diesel oil), and 0.7% to wind power. By adding Light's generation capacity, Cemig's installed capacity reaches 6,964 MW.

At the end of 2011, Cemig relied on 8,706 direct employees.

Initially conceived to drive progress in the State of Minas Gerais, Cemig has evolved along a path that features the footprints of its continuous effort towards providing quality energy that is fully compatible with the needs of society. The picture below depicts Cemig's business portfolio:



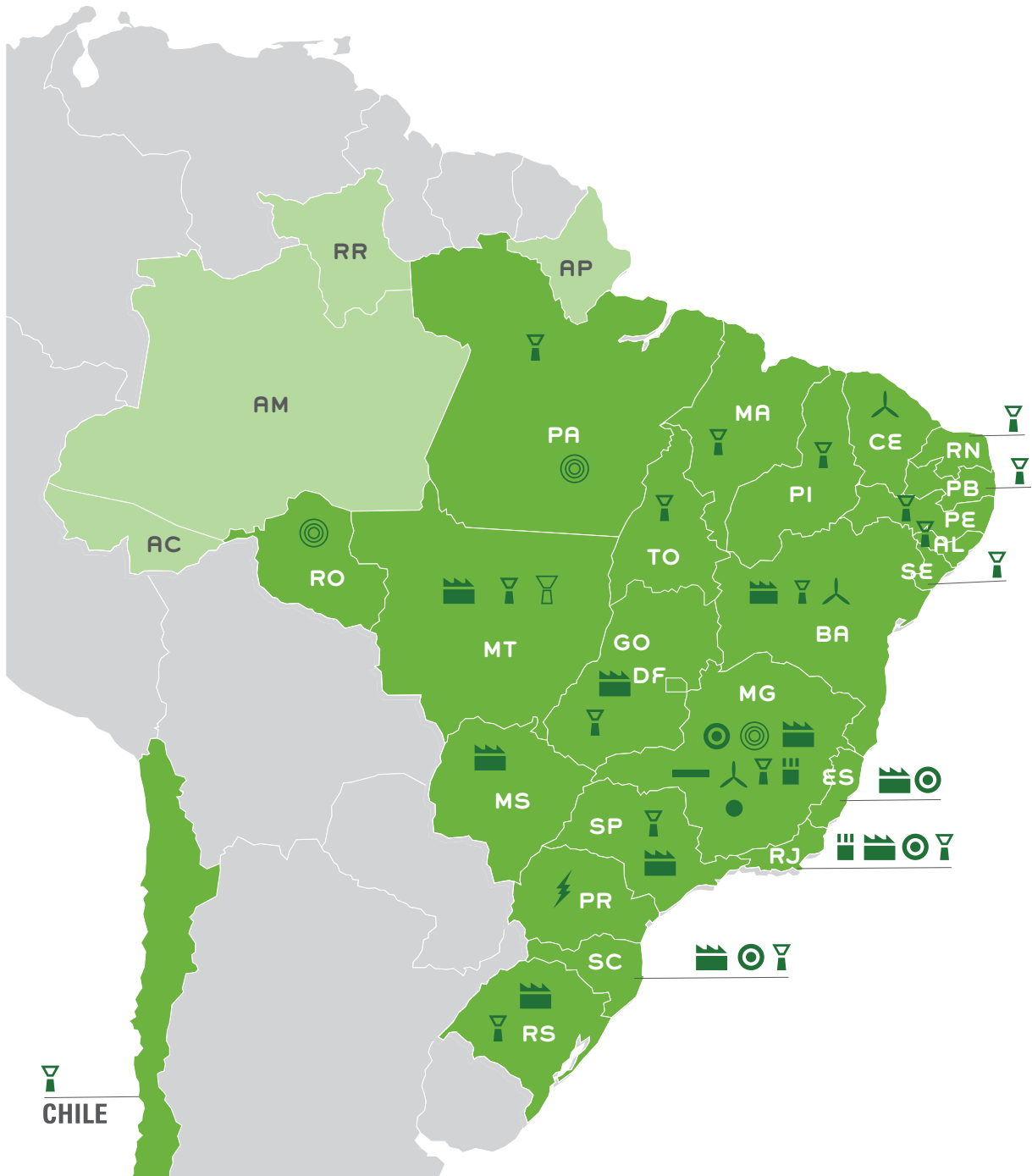
In the following figures, the organizational chart and the location map for the main activities of the Company are presented.

COMPANIES AND CONSORTIA OF CEMIG CONGLOMERATE

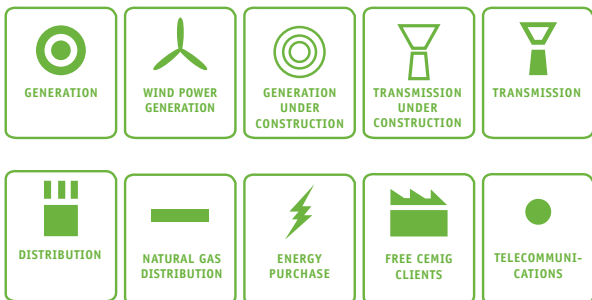


- Key
- 23 Transmission companies
 - 02 Distribution Companies
 - 22 Generation Companies
 - 37 Wind Power Companies
 - 02 Not For Profit
 - 01 Vehicle Manufacturer
 - 01 Natural Gas Distribution
 - 01 Telecommunications
 - 03 Commercialization
 - 16 Holding Company
 - 06 Services
 - 06 Natural Gas Consortia
 - 01 Equity Fund
 - 09 Generation Consortia
 - VS = Voting Shares
 - TS = Total of Shares

CEMIG: PRESENT IN 22 STATES, IN THE FEDERAL DISTRICT AND IN CHILE



Key



CEMIG'S MAIN COMPANIES

Company	Activity	Annual Revenue in 2011 (R\$)	Comments
Light	Holding company that fully controls its subsidiaries, which have activities in three business segments: Light SESA, in energy distribution; Light Energia, in energy generation; and Light Esco, LightCom and Light Soluções, in energy trade and energy services, the latter two of which were created in 2010. The business activities in 31 municipalities in the State of Rio de Janeiro cover a region with more than 10 million people, accounting for 4 million clients.	1.810 million	Cemig increased its stake in Light to 32.57% (26.06% directly) in 2011. http://www.light.com.br
Gasmig	Distribution of natural gas via pipelines in Minas Gerais	457.6 million	Cemig increased its stake in Gasmig to 55.19% in 2011. The other partner is Gaspetro (Petrobras). http://www.gasmig.com.br
Belo Monte	Consortium for the construction, operation and maintenance of the Belo Monte Hydroelectric Plant.	-	Cemig's Stake: 9.77% Enterprise is currently under construction. Subsequent fact: Cemig's Stake in the enterprise was approved by CADE in February of 2012. http://www.epe.gov.br/leiloes/Documents/Leil%C3%A3o%20Belo%20Monte/Belo%20Monte%20-%20Fatos%20e%20Dados%20-%20POR.pdf
TBE	A set of nine electric energy transmission companies that operate in the states of Pará, Maranhão, Santa Catarina, Mato Grosso and Rio Grande do Sul, with installations that total 3.127 km of transmission lines and 28 substations (among both own and shared)	306.9 million	CEMIG has equity stake in several companies of TBE Group. http://www.tbe.com.br
Taesa	Electric energy transmission. It operates 8 transmission concessions, totaling 3.712 km of transmission lines and 28 substations, with activities in 11 states and in all regions of the country.	N.A.	CEMIG GT has a 56.69% equity stake in Taesa. On November 30th, 2011, Taesa concluded the acquisition of equity stakes in the Abengoa group: 100% of the shareholders' equity in NTE- Nordeste Transmissora de Energia S.A. and 50% of the shareholders' equity in União de Transmissoras de Energia Elétrica Holding S.A. - UNISA, the new name of Abengoa Participações Holding S.A., which holds 100% of the shareholders' equity in the transmission companies STE - Sul Transmissoras de Energia S.A., ATE - Transmissora de Energia S.A., ATE II - Transmissora de Energia S.A. and ATE III - Transmissora de Energia S.A. With the acquisition of TAESA, the total extension of its transmission lines will be increased by 39%, totaling 5.214 km. www.taesa.com.br
Cemig Telecom	Utilizing Cemig's infrastructure, it offers the largest optical network in Minas Gerais for data transportation and telecommunication services.	125.8 million	Wholly owned Cemig's subsidiary. In 2011, added 8 cities to its coverage area, besides completing the first phase of deployment of the telecommunications network in condominiums in the metropolitan region of Belo Horizonte, bringing optical fiber directly through is new GPON Net (Gigabit Passive Optical Network) The Ativas, IT company (focused in connectivity solutions), a partner between ASAMAR Group and Cemig Telecom (51% - 49%) started-up operations in January 2011. http://www.cemigtelecom.com.br
Renova	Light acquired a stake in Renova Energia, which is specialized in making investments in alternative sources of energy, mainly in SHPs and wind farms. This company shall play an important role in the expansion of the use of renewable sources of energy.	N.A.	Light holds a 26.2% stake in Renova, and is part of the company's controlling group. See further details on Renova enterprises in the New Sources of Energy Chapter / Wind Power, in the Environmental Dimension of this report. www.renovaenergia.com.br
Efficientia	Development of solutions for the efficient use of energy.	N.A.	Cemig's wholly owned subsidiary. Information concerning Efficientia's projects can be found in the Environmental Dimension. http://www.efficientia.com.br
Madeira Energia	Special Purpose Company created in August 2007 to construct, operate and maintain the Santo Antônio Hydropower Plant, by means of its wholly owned subsidiary Santo Antônio Energia S.A. - Saesa. Planned Installed Capacity: 2.218 MW on average (assured energy).	-	Cemig's stake: 10%. www.santoantonioenergia.com.br
Gás Brasileiro Distribuidora	Natural Gas Distribution	-	Subsequent information: In February, 2012, Petrobras announced an agreement through which, by the end of the year, Cemig will have acquired a 40% stake in Gás Brasileiro Distribuidora (GBD), headquartered in São Bernardo, São Paulo Estate.

MAIN IMPACTS, RISKS AND OPPORTUNITIES

1.2 The rigorous monitoring of the socio-environmental impacts evolving from Cemig's operations is imperative in order to guarantee the continuity and balanced growth of the Company. The intelligent and responsible utilization of the available resources is aimed at improving the quality of life of society and, simultaneously, reducing the economic-financial risks by which the company is impacted.

The Company identifies as main impacts those associated with the formation of reservoirs and the alteration of water courses during the implementation of its undertakings and interferences by the distribution network with the urban trees. For further information, please see Biodiversity and Water Resources in the Environmental Dimension; and the Social Strategy and

Society chapters in the Social Dimension.

A significant level of risk is associated with supplying inadequate energy distribution services, such as sudden service interruptions and voltage fluctuations. With the purpose of minimizing risks related to power supply, minimizing the number of interruptions and reestablishing energy service in the shortest time possible, thus reducing troubles caused for the population and companies, Cemig has been undertaking a range of investments, described in the Quality of Energy item. Cemig recognizes as the main environmental risks related to its activities any alterations to the environmental legislation and issues concerning global climate change, as they may result in physical, regulatory and strategic risks. For further details concerning climate-related risks, please access Cemig's answers to the Carbon Disclosure Project (CDP) at http://ri.cemig.com.br/enu/8656/CarbonDisclosureProject_Cemig_2011_Ingles_Final.pdf Cemig's actions taken to minimize environmental risks can also be found in the Environmental Dimension section of this report.

EC2



DOWNTOWN – BELO HORIZONTE



From the economic point of view, the most significant risk relates to the expiration of Cemig's concessions. The majority of the Company's electric energy generation, transmission and distribution activities are realized by means of concession contracts entered into with the Federal Government. These contracts are entered into through bidding processes and can be renewed for additional periods of up to 20 years, provided that the utility has observed minimum performance standards (usually established by ANEEL) and that the proposal made is considered acceptable by the Federal Government, as it holds discretionary power over the concessions. Given the absence of long term precedents which might come to improve the understanding of how the Federal Government intends to exert its discretionary power, and to interpret and apply the Law of Concessions, Cemig is not able to guarantee that new concessions will be granted or that the current concessions will be renewed under the same terms and conditions as those currently in force. This might come to adversely impact its businesses, operational results and financial situation.

Details on the location, installed capacity, concession or authorization dates and validity dates may be found in Explanatory Note No. 4 of the Accounting Statements.

Also to be considered are the regulatory risks evolving from the company's relationship with ANEEL – the National Electric Energy Agency. Among them, we may cite any penalties issued by ANEEL for non-fulfillment of its concession contracts and non-compliance with applicable regulations.

Cemig understands that the production, transmission and distribution of electric energy represent an important contribution to social development and to an improved quality of life.

From the economic-financial point of view, Cemig has enjoyed balanced growth in the following three segments: electric energy generation, transmission and distribution. In addition to the investments made by Cemig Distribuição, which amounted to R\$ 1.2 billion, towards improving reliability and expanding the electric energy network in Minas Gerais, the following acquisitions that took place in 2011 are noteworthy:

- Acquisition, through Taesa, of a 50% stake held by Abengoa Concessões Brasil Holding S.A..
- 9.77% stake in the Belo Monte Hydro Power Plant;
- Increase in the stake in Light (from 26.1% to 32.5%) – both direct and indirect.



The main opportunities for the Company are related to the generation of renewable energy. The UN has proclaimed 2012 as the International Year of Sustainable Energy for All. The initiative, led by UN Secretary General Ban Ki-moon, has three main objectives that are to be accomplished by 2030:

- The first is to guarantee that everyone has access to “modern energy services”.
- The second calls for an increase of energy efficiency, reducing by 40% the several different forms of wastage.
- The third expects that 30% of all the energy supplied shall come from renewable sources.

The strategic directives that Cemig has sought to follow in recent years (see directives listed in the 2005-2035 Long Term Strategic Plan in the Strategy chapter) are reflected in the aforementioned broader objectives established by the UN. The programs listed below are examples of Cemig’s strategic alignment with the objectives that, according to the UN, all nations should meet by 2030:


- Smart Grid (see Energy Alternatives chapter / Cities of the Future)

- Conviver Solar Project (see Intelligent Energy chapter)
- Luz para Todos Program (see Luz para Todos chapter)
- Renewable resources (see New Sources of Energy chapter)
- Renova (see Wind Power chapter)

A predominantly renewable generation matrix and good socio-environmental practices may attract a much larger number of investors and also improve the Company’s reputation among stakeholders.

Other opportunities are related to the commercialization of carbon credits, the expansion of natural gas supply, investments in Small Hydroelectric Plants (SHPs), cogeneration of energy in the steel industry and development of studies for the future use of alternative sources of energy such as: solar, biomass and biomass waste, wind power, among others under study (for further information on the topic, please refer to the Environmental Dimension chapter).

See also the chapter on Climate Change Risk and Opportunity Management in the Environmental Dimension of this report.

A man with dark hair, wearing a white polo shirt, is carrying a young boy on his shoulders. Both are smiling and looking upwards. The background is a bright, hazy sky. On the right side, there are green geometric graphics consisting of lines and circles, resembling a network or molecular structure. The overall mood is positive and forward-looking.

SMART GRIDS, ELECTRIC VEHICLES,
SUSTAINABLE TECHNOLOGY. AT
CEMIG, THE CHALLENGES OF TODAY
TRANSLATE INTO SOLUTIONS FOR
TOMORROW.

S STRATEGY



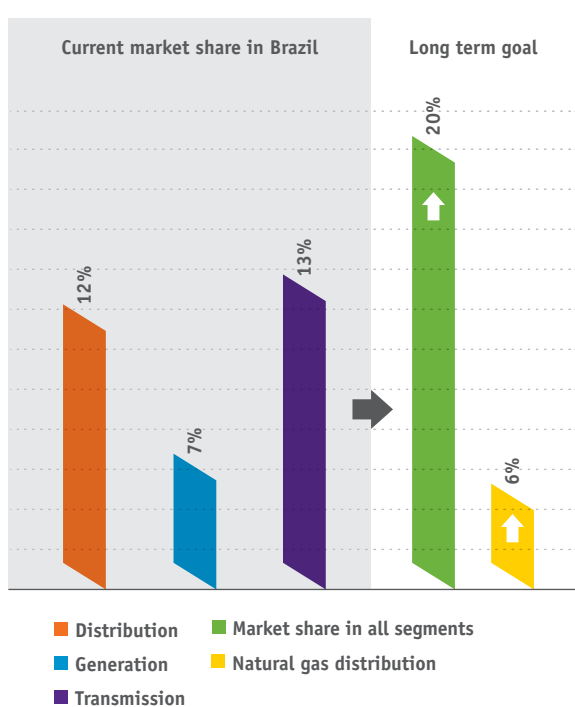
- 4.8 Cemig's Vision, Mission and Values are the pillars of the Company's business.

The Company's Vision of the future, consolidated in 2010, is "To be, by 2020, among the two largest energy groups in Brazil in terms of market value, with a relevant presence in the Americas and to be a world leader in sustainability in the sector".

As a byproduct of the Vision of the Future, strategic guidelines were established to be the base upon which objectives and initiatives to be pursued by the Company would be defined. In order to meet its 2020 vision of the future and provide for the 2005-2035 Long Term Strategic Plan, Cemig follows the directives below:

- Strive to be a national leader in its markets, with a focus on market share;
- Strive for operational efficiency in asset management;
- Be one of the most attractive companies for investors;
- Be a benchmark in corporate management and governance;
- Be innovative in the search for technological solutions for its business;
- Be a benchmark in sustainability: social, environmental and economic.

The figure below demonstrates the market share in the current Brazilian market and the Company's long term target.



For further information on the long term strategic plan, please visit cemig.infoinvest.com.br/ptb/2503/989_Cemig_Brumer_por.pdf.

The Company's Mission is to "Perform in the energy sector with profitability, quality and social responsibility".

Today, Cemig is a solid business group that is constantly seeking operational efficiency and growth in the diverse business segments in which it operates, which makes management and decision making processes ever more complex.

In 2011, the first integrated strategic plan for the Cemig Group was produced with the purpose of leading the Group to greater productivity, quality of services and improved results, by working to identify synergies between the companies that compose the Group.

Work was divided into three main fronts: operational performance of assets, growth and organizational health.

Cemig undertakes the Management of its Strategy through the Balance Scorecard (BSC) methodology reflecting the company's strategy into strategic maps with objectives, indicators, targets and initiatives, deployed into strategic maps for the Corporation and the Generation, Transmission and Distribution businesses.

With regard to performance, the impact potential was established for the existing assets around 4 pillars: clients, community, the environment and shareholders, according to performance analyses and comparisons with benchmarks.

Regarding growth, analyses were made considering growth options in the current markets and in potential markets as well, while quantifying the potential for generating value and impact, considering the 4 pillars.

In order to meet its challenging efficiency and growth targets, the organization has to be healthy. Therefore, a diagnostic of the organizational situation was performed and proposals for changes aimed at updating Cemig's governance model made, which reflect the organization's new standing and stakeholders' demands.

As a result of the process of drafting the integrated strategic plan for the Cemig Group, strategic initiatives were established so as to allow for the accomplishment of the proposed objectives, which are to be monitored over the coming years.

Commitments
 In 2011 Cemig defined its commitments for 2012 with regard to sustainability. These commitments in the environmental, social and economic dimensions reflect the themes that are priorities for the company in 2012 and are aligned with the Company's strategic plan.

Economic Dimension		Environmental Dimension		Social Dimension	
Conclude the Distribution Development Plan (PDD) ¹	Proceed with the Cities of the Future program ²	Conclude the Volta Grande Center of Excellence in Fishculture ³	Expand the Premier Program into the cities of Contagem and Betim ⁴	Expand the Conviver program into the interior of the State ⁵	Proceed with the Municipal Energy Management Program ⁶

¹ see the chapter on Investments; ² see the chapter on Research and Development; ³ see the chapter on Ichthyofauna; ⁴ see the chapter on Coexisting with Urban Trees; ⁵ see the chapter on the Intelligent Energy Program; ⁶ see the chapter on the Intelligent Energy Program.

INTANGIBLE ASSETS

Brand Value

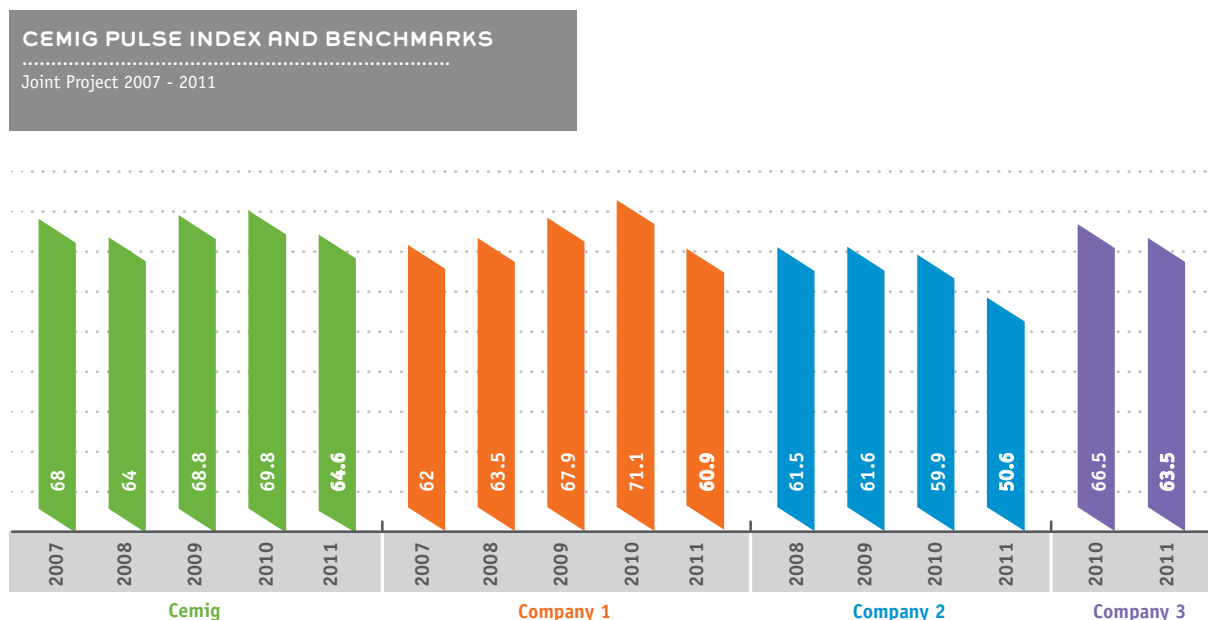
Management of Intangible Assets

Cemig's brand and reputation interfere directly with the Company's businesses, from the regulatory processes, acquisitions, choice of its free clients, to the participation in the daily lives of its consumers.

Reputation

In 2011, measured by the Cemig Pulse Index (survey conducted by the Reputation Institute, with consumers from various state capitals of the country by telephone and internet), Cemig's reputation achieved one of the best results in the energy sector, higher than those of the other three companies in the sector which Cemig refers when making comparisons.

The results of Cemig's reputation and of its benchmarks, from 2007 to 2011, are represented in the chart below:



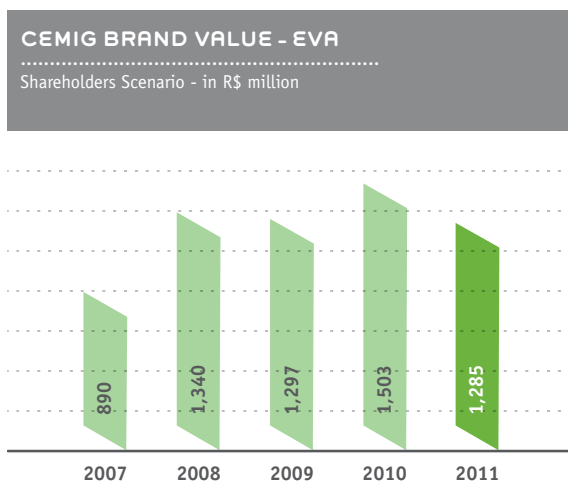
According to information provided by the Reputation Institute, in 2011 a fall in the reputation index for the largest companies headquartered in the Country was observed in comparison with 2010, considered

an atypical year in which the Brazilian economy was stable while the economic crisis was felt in the United States and in much of Europe. This change was also reflected in Cemig's brand value and reputation index.

Brand Power

Thanks to its improved performance among its investors, captive clients and city halls, Cemig presented a result above that of the electric energy sector itself, even with adverse conditions in the economic context. On the other hand, the Cemig Brand Strength index dropped among residential consumers, opinion makers and employees.

With regard to its financial performance, it was possible to observe a reduction in the Economic Value Added (EVA) projected both for the Generation and Transmission business and for the Distribution business, in addition to a small rise in the cost of capital for the Generation and Transmission business. The following chart depicts these results:



This scenario increases the need for the Company to continue working on its essential problems regarding its brand and reputation, which are mainly related to technical support, services and quality; price, contract conditions and tariffs; credibility and trust; and innovation and technology. It is noteworthy the sustainability shall continue to be a strategic foundation for the enhancement of these intangible assets.

Accordingly, the data gathered by the Reputation Institute show those themes that generate the most capital for the Cemig's reputation are related to the contributions provided by the Company to society, quality of its products and services and to efficient management with vision of the future.

Cemig ranked second in the "Most Prestigious Brands in Minas Gerais" survey undertaken by the Ideia

Comunicação Empresarial company in partnership with the Grupo Troiano de Branding company. The main conclusion of the survey relates how leading prestigious corporate brands in the state are well managed and boast significant resilience, that is, they adapt to any market fluctuations, for example, and continue to be perceived as well positioned.

Intellectual Property

The Brands and Patents Office has been monitoring 9 patents granted, 45 patent requests being processed, 30 brands registered, 9 requests for brands currently being processed and 27 computer programs. A new patent application was submitted to the National Institute for Intellectual Property (INPI) in 2011.

Technology and Innovation

Cemig relies on a number of partnerships with research institutions in order to allow the Company to maintain proactive participation in technology development processes in its fields of activity – energy generation, transmission and distribution.

Through its Research and Development (R&D) Program, new methodologies, processes, materials, and devices, as well as new software and equipment are created intended to foster improvements in the electrical system and in operative processes, in addition to increasing personnel safety and asset security. The R&D program is composed of a range of projects in 12 different research themes.

In 2010 and 2011, approximately 500 R&D project proposals were delivered to the technology forums to be evaluated and prioritized by Cemig's technicians. Among these proposals, the 100 most innovative aligned with the Company's strategic objectives were selected to the Cemig-ANEEL Program portfolio. After being refined these proposals are transformed into projects which are scheduled to benefit from investments on the order of R\$ 300 million in the next few years.

In 2011, more than 160 ongoing R&D projects received investments of approximately R\$ 50 million.

The following table shows the amounts invested in R&D by Cemig in both 2010 and 2011.

EU6

EU8

 Global Compact
Principle 9

Area	2010	2011	Total
Generation and Transmission	7	18	25
Distribution	15	38	53
Total	22	56	78

Amounts in million R\$

Among those projects undertaken as part of the 2011 portfolio are:

- Development of decision making strategies in Distribution;
- Applied research: application of multivariate chemometric methods in the management of river basins;
- Supercable – Development of a High Temperature Superconductor Cable Technology for Electric Power Systems;
- Analysis of the migratory dynamics of populations of curimatá-pioa (*Prochilodus costatus*) and curimatá-

pacu (*Prochilodus argenteus*) fish species at Três Marias HPP area of influence: genetic monitoring and monitoring reproductive migrations;

- System for the Optical Monitoring of Partial Discharges in Transformer Bushings in Substations;
- Development of innovative solutions for automated channels for in-person service rendered to Cemig consumers, including special visual and hearing needs people, low literacy people and elderly.

In addition to these projects, Cemig has invested in projects aimed at the utilization of renewable energy sources, most notably: biomass, small hydro power plants, solar energy and wind-electric generation. It has also invested in projects intended to foster the rational use of energy, the development of smart grids, cogeneration projects and distributed generation using different types



of fuels such as hydrogen, natural gas, alcohol and biodiesel. Another line of investment involves projects aimed promoting improvements in operational efficiency, environmental sustainability and client services as well.

One noteworthy result of these projects is the development of the “green” transformer (further details on the green transformer can be found in the chapter about Energy Alternatives, at the Environmental Dimension).

Highlighted Project: Cities of the Future - Smart Grid

Cemig is preparing for a new concept in energy distribution and consumer relations. Conceived in partnership with the Fundação Centro de Pesquisas e Desenvolvimento em Telecomunicações – CPqD (Telecommunications Research and Development Center Foundation) and the Fundação para Inovações Tecnológicas – FITec (Foundation for Technological Innovations), it is one of the most ambitious Smart Grid architecture research and development projects in Latin America and will support the analysis of the feasibility of implementing it throughout its concession area. Smart Grids are based on the intense use of sensors in the network that allow, for example, for automatic reconfiguration, the automatic reestablishment of electric energy following an interruption and greater client participation in the management of the energy they consume, thus contributing towards a reduction in losses and increased energy efficiency. The city of Sete Lagoas was chosen as the location for the pilot project. The evaluations made there will help the development of smart grid models that will support the strategic decisions regarding the large scale implementation in coming years. For further details regarding this project please visit <http://portalcemig/sustentabilidade/programas/redesinteligentes/paginas/default.aspx>

INVESTMENTS

- **ECB** Investments made in new projects and acquisitions play a fundamental role for Cemig in accomplishing its long term vision. The main investments made in 2011 are described below.
- **EU6**

New acquisitions

The acquisition of new assets is in tune with Cemig’s strategy to become a larger company and an ever more competitive player in the market. The main acquisitions made by the company are described below:

Belo Monte HPP

The strategic acquisition of a stake in the Belo Monte Hydro Power Plant is equal to 9.77% of the equity in Norte Energia, the company that holds the plant’s concession. The acquisition was realized through an SPC – Special Purpose Company, Amazônia Energia Participações S.A., which was specially created for this purpose. Cemig Geração e Transmissão, with 74.5% of the total capital, and Light, with 25.5%, are partners in the SPC.

Expanded Stake in Light

Cemig conducted transactions to purchase additional shares in Light S.A. in April and July of 2011. After concluding these transactions, Cemig held a total stake of 32.5% in Light, with 26.06% being held directly.

For more information on these transactions, please visit the Cemig Investor Relations website: <http://ri.cemig.com.br/enu/s-10-enu-2011.html?idioma=enu>

In 2011 Light took important steps that contributed towards the growth of the group. Pursuing a strategy of increasing its generation capacity, it acquired stakes of 26% in Renova Energia, a leading company in the wind power sector, and 2.5% in the Belo Monte hydro power plant, the largest plant under construction in Brazil, which has an installed capacity of 11,233 MW. It also progressed in the construction of the Paracambi Small Hydroelectric Plant, which is to be inaugurated in early 2012 with a total installed capacity of 25 MW.

Also within the scope of acquisitions, Light has entered into a partnership with CR Zongshen Fabricadora de Veículos S.A. for the establishment of a plant to produce electric vehicles under the Kasinski brand within Light’s concession area, thus diversifying its operations portfolio.

Renova Energia

Cemig, through Light Energia S.A., acquired roughly 50 million common shares issued by Renova Energia S.A., with an investment of approximately R\$ 360 million. This transaction left Light in control of a 50% stake in the company.

The holding company of a group founded in 2001 and listed on the BM&FBovespa stock exchange in 2010, Renova is the first Brazilian company dedicated to the energy generation through alternative sources to be listed at BM&FBovespa. It is active in the generation of electric energy from renewable sources, including small hydroelectric plants and wind power.

Abengoa Group Transmission Assets

Cemig, through its controlled company Transmissora Aliança de Energia Elétrica (Taesa), has also completed the acquisition of a concession and equity stake composed of four electric energy transmission assets from the Spanish company Grupo Abengoa.

Taesa acquired (i) 50% of the shares held by Abengoa Concessões Brasil Holding S.A. in the Capital Stock of Abengoa Participações Holding S.A. which, in turn, holds 100% of the total capital stock in transmission companies STE – Sul Transmissora de Energia S.A., ATE Transmissora de Energia S.A., ATE II Transmissora de Energia S.A. and ATE III Transmissora de Energia S.A. and (ii) 100% of the shares held by Abengoa Concessões Brasil Holding S.A. and by Abengoa Construção Brasil Ltda. in the capital stock of NTE – Nordeste Transmissora de Energia S.A. In this transaction, Taesa paid R\$ 1,163 billion on November 25, 2011.

Gasmig

In 2011, Gasmig invested R\$ 11.9 million in the expansion of its pipeline networks in Minas Gerais state. This investment comprises the construction of 8.9 kilometers of networks in the metropolitan area of Belo Horizonte, in the south of state, in the Vale do Aço and in Mantiqueira (Juiz de Fora City), totaling 800.3 km in length distributed in 41 cities, serving 30 of these.

On December 27 of 2011, the Board of Directors authorized the acquisition of nominative preferred shares equal to 4.38% of the total capital in Gasmig that were held by the Government of the State of

Minas Gerais (“the State”) at a total price of R\$ 67.2 million, which translates into a per share price of approximately R\$ 3.75 (three reais and seventy-five cents), which shall be adjusted based on the value defined in an Independent Assessment Sheet, which shall be produced by a specialized institution that is to be chosen and hired by Cemig.

The acquisition shall also be conditional on the conclusion of the whole and complete transfer of Gasmig shareholdings, currently held by Minas Gerais Participações S.A. (MGI), to the State, thereby eliminating any onus associated with the transaction for Cemig.

Other Investments

In addition to the new acquisitions, in 2011 Cemig made other investments, which are listed below:

Generation

Cemig Geração e Transmissão is engaged in a broad program to revitalize its plants. The goal of this program is to reestablish the useful life of these plants. This program is important not only due to the possibility of increasing installed capacity, but also for the low socio-environmental impact in the surrounding area and communities where these plants are located. The São Simão, Volta Grande and Salto Grande hydro power plants are currently being renovated and modernized. The program, which is set to run through 2025, will also include the Três Marias, Itutinga, Camargos, Jaguará, Emborcação, Nova Ponte and Miranda hydro power plants and will see total investments of R\$ 1,664 million.

In addition, Cemig continues to invest in the automation of its facilities and has already implemented remote assistance at 13 plants, 12 small hydroelectric plants (SHPs) and 24 transmission substations. The Long Term Strategic Automation Plan calls for remote assistance at 17 plants, 14 SHPs and 37 transmission substations and is expected to be concluded by December 31, 2016.

Madeira Energia

The construction of the Santo Antonio Hydro Power Plant will require investments on the order of R\$ 16.4 million (nominal terms), and is scheduled to

be concluded in January, 2016. Testing of the first generating unit (turbine and generator), which began on the 15th of December, 2011 is ongoing and the equipment is scheduled to be in synch (interconnected) with the National Interconnected System in January, 2012, as scheduled.

The project was awarded its installation license on August 18th, 2008 and its operational license was issued on the 14th of September, 2011.

The Santo Antônio Hydro Power Plant will be the fifth largest in Brazil in assured energy (an average of 2,218 MW) considering where the Belo Monte HPP features in the ranking.

Subsequent Event

In March, 2012 Cemig will start the construction of a solar power plant in Sete Lagoas City.

In March, Cemig will be initiating the construction of a solar power plant with 3 MW of installed capacity in Sete Lagoas, Minas Gerais Estate. The project is scheduled to be concluded in four months with R\$ 40 million in investments. This project is the first solar energy Research and Development program by ANEEL to enter into in operation.

Transmission

From the investments made in 2011, especially noteworthy the investments made by EATE in the following transmission lines: Sorriso-Sinop (76 Km), Novo Mutum-Sorriso (151 Km), Parecis-Brasnorte (111 Km) and Brasnorte-Juína (207 Km).

Cemig GT invested R\$ 38 million in the construction of the Pimenta substation (138 kV) and expansion of the Neves 1 substation (500 kV).

TBE

On the 16th of December, 2011, ECTE, one of the transmission companies that comprise TBE, was the winning bidder in Transmission Auction No. 006/2011 held by ANEEL, respective to Lot "D", and which has an Allowed Annual Income ("Renda Anual Permitida" - RAP) of R\$ 14.42 million. For the exploitation of this lot a Specific Purpose Company called Empresa de Transmissão Serrana S.A. (ETSE) was constituted

on the 29th of December, 2011. The construction of the project is scheduled to be finished in 24 months following the signature of the Concession Contract and includes 47.5 km of network lines at 525 and 230 kV and the construction of substations.

Distribution

Among the investment programs carried out in the distribution area, the following are of particular note:

Distribution Development Plan (PDD)

During the Tariff Revision process for the 2008-2012 cycle, Cemig's Executive Distribution and Commercialization Office presented a Distribution Development Plan to the National Electric Energy Agency (ANEEL) for the current tariff period. This Plan listed the funds to be invested by Cemig Distribuição S.A. during the 2008-2012 period, which totaled R\$ 3.9 billion.

The full undertaking of the macroprojects that comprise the Distribution Development Plan will allow the future sustainable growth of the market in function of the availability of energy and will contribute towards improvements in the quality of the supply of electric energy in terms of continuity, balance and voltage levels.

Luz para Todos Program – Universal Access to and Use of Electric Energy

At the end of 2011 Cemig concluded the Luz para Todos Program in Minas Gerais for the 2004-2011 period. The program covered all the 774 municipalities in its concession area, connecting a total of 285,913 family residences in rural areas, which is almost three times the number initially planned by the Ministry of Mines and Energy, 105,000 residences. Approximately 3 billion were invested in 633 municipalities, 23% came from the Federal Government and 77% from the Government of Minas Gerais and Cemig. Approximately 1.5 million people have benefitted and practically 100% of Cemig's concession area was serviced.

(see other details on Luz para Todos chapter in the Social Dimension of this report).

Cresceminas Program

The Cresceminas Project is one of the Minas Gerais State government's structural projects and its main objective is the expansion of availability of the electric

energy distribution infrastructure to supply for the market growth in the state.

The project, which is to be concluded in mid 2012 provides for reinforcement work on substations, distribution lines and networks, totaling 687 km of distribution lines, 11 new substations, 101 expansion projects at several different substations, 4.671 km of new construction and improvements and reinforcements of distribution networks. Altogether the project will benefit approximately 453 municipalities (59% of the state's total), a population of approximately four million and nearly 1.1 million consumers in the state.

Since the beginning of the project, 5.220 km of medium and low voltage networks have been installed, 530 distribution lines have been constructed and 566 MVA of capacity have been installed. Investments between 2006 and 2012 will amount to nearly R\$ 750 million, which approximately R\$ 694 million had already been invested by December, 2011, broken

down into R\$ 425 million for lines and substations and R\$ 269 million for medium voltage networks.

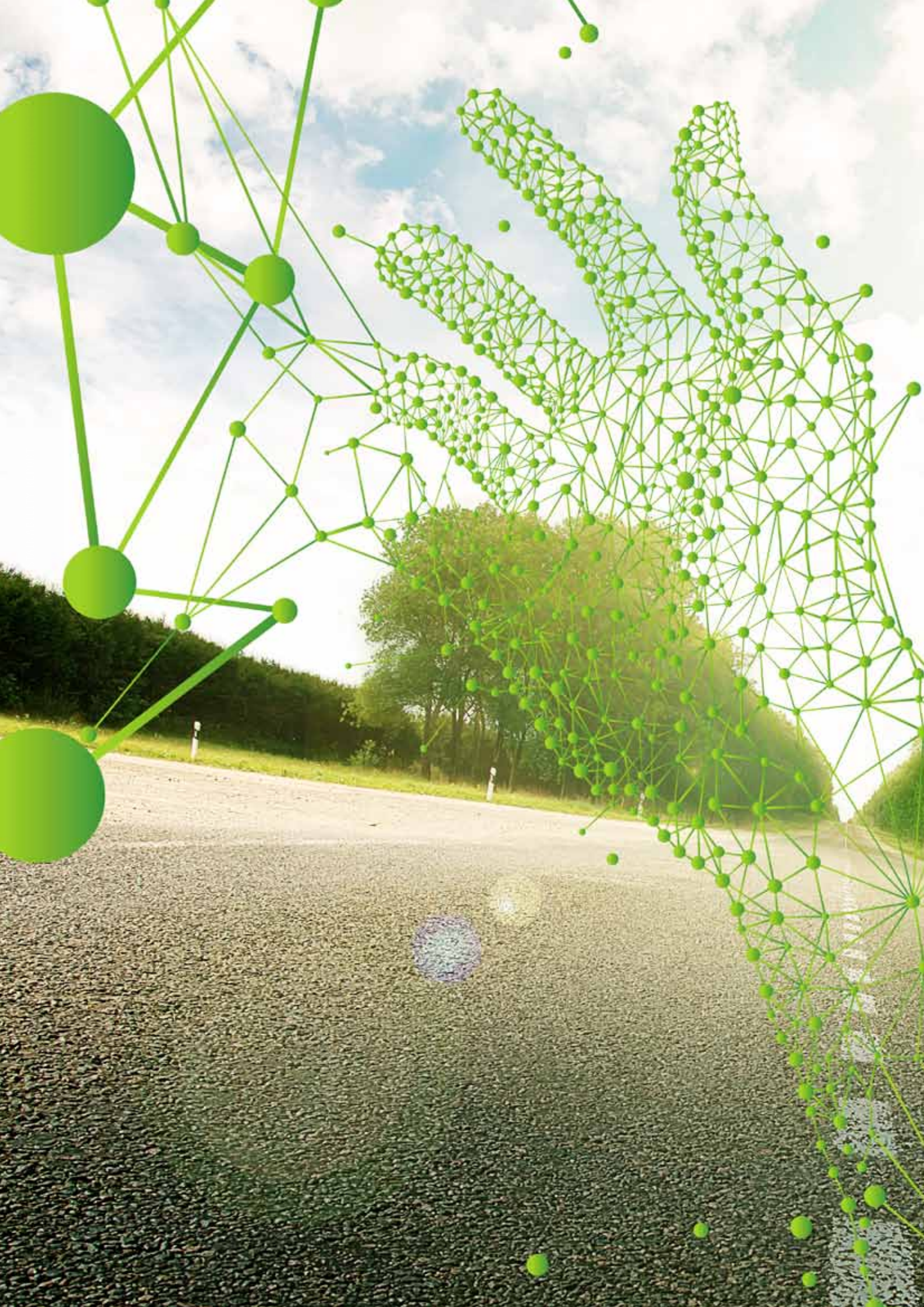
In 2011 were investments totaling R\$ 63 million in substations and distribution lines, which are to add 37 MVA and 92 km of distribution lines and R\$ 10 million in the construction of 836 km of medium and low voltage networks.


Urban Electrification Program - Clarear

The Clarear Program is constituted of connection, extension, alteration and reinforcement initiatives aimed at the medium and low voltage distribution network which supplies consumers located in urban areas, thus maintaining Cemig's Distribution at urban sites within its concession area fully universal.

In 2011 alone 200,000 consumers in urban areas were supplied through this program with investments on the order of R\$ 93 million, as 10,000 posts were installed and networks were extended by nearly 380 km.







FOR A COMPANY THAT SERVES ALMOST 20 MILLION CONSUMERS, WORKING WELL MEANS WORKING FOR SOCIETY. THAT IS WHY EQUALITY, TRANSPARENCY AND ETHICS FORM THE FOUNDATION FOR DECISIONS AT CEMIG. THAT IS HOW CEMIG OPENS UP OPPORTUNITIES, REDUCES INEQUALITIES, FOSTERS ECONOMIC GROWTH AND PROVES THAT THE BEST WAY TO PROMOTE DEVELOPMENT AROUND THE WORLD IS BY CARING FOR THE DEVELOPMENT OF EACH AND EVERY PERSON.



CORPORATE GOVERNANCE

- 4.12 Cemig's corporate governance model complies with the Code of Best Corporate Governance Practices of the IBGC – Brazilian Corporate Governance Institute, which is based on the principles of transparency, equity and accountability. The model is based on clear definition of the roles and responsibilities of the Board of Directors and the Executive Board in formulation, approval and execution of the policies and directives that govern the conduct of the Company's business, as well as the role of the Audit Board in inspecting the actions and accounts of Upper Management.

Since 2001 Cemig practices a differentiated level of Corporate Governance (Level 1 of the BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuro), which requires the adoption of, among others, the following practices:

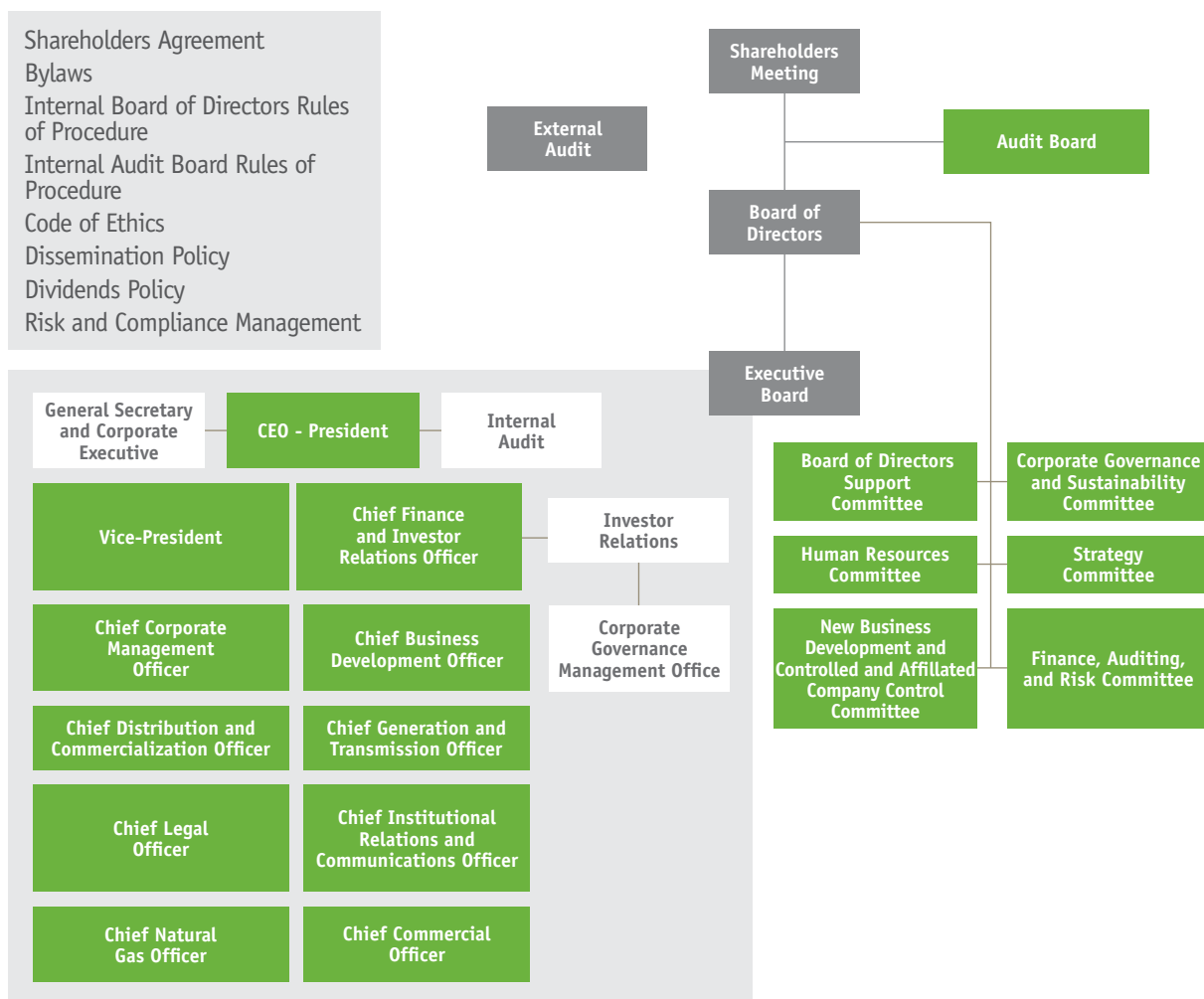
- A minimum free float of 25% of the capital must be maintained.
- Working capital and consolidated data must be added to the financial statements and quarterly reports.
- Public meetings must be held annually with analysts and any other interested parties to dis-

seminate economic and financial information, projects and perspectives.

- The calendar for corporate events must be published annually.
- Disclosure of the main contracts signed by companies in the group.
- Respect for the diverse and specific procedures in the case of public stock offerings.
- Compliance with disclosure rules rendering the required information to BM&FBovespa for trades involving securities issued by the Company negotiated or detained by the controlling shareholder and managers.
- No beneficiary parties.

In order to consult the regulations for the BM&FBovespa S.A. Level 1 corporate governance, please access: <http://www.bmfbovespa.com.br/empresas/download/RegulamentoNivel1.pdf>

The Corporate Governance structure at Cemig is composed mainly of the following devices (base date: December 31st, 2011)²:



²The Audit Board also acts as the Audit Committee.



PUBLIC LIGHTING – BELO HORIZONTE

Cemig shares are listed on the following stock exchanges:

- BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuro:
 - Preferred Shares – CMIG4.
 - Common Shares – CMIG3.
- New York Stock Exchange (NYSE):
 - Preferred Shares, ADRs Level 2 – CIG;
 - Common Shares, ADRs Level 2 – CIG.C.
- Madrid, Latin American Stock Exchange (Latibex)
 - XCMIG.

Cemig's controlling shareholder is the Government of the State of Minas Gerais, which holds 51.0% of the total common shares (shares with voting rights). ^{2.8}

AGC Energy holds 32.96% of the voting capital and 14.41% of the total capital stock in Cemig and a shareholder agreement gives AGC Energia the right to elect 5 members to the Board of Directors and one member to the executive board.

Other Corporate Governance Practices

Board of Directors Rules of Procedure:

http://ri.cemig.com.br/static/enu/diretoria_conselheiros.asp?idioma=enu

Audit Board Rules of Procedure:

http://ri.cemig.com.br/static/enu/regint_cons_fiscal.asp?idioma=enu

Unique Company Bylaws:

- Contains a dividends policy that is unique in the market, as may be seen in the "Capital Market" chapter in this report.
- Concentrates investments in the Company's core businesses.
- Establishes limits for administrators' initiatives based on the Long Term Strategic Plan.

The bylaws, altered by AGO/AGE of December 23rd, 2011, may be consulted in their entirety at the Investor Relations website: http://ri.cemig.com.br/static/enu/estatuto_social.asp?idioma=enu

Policy for Disseminating Information to the Public:

As required by Instruction 358 from CVM – the Brazilian Securities Commission, the "Cemig Manual for the Dissemination and Use of Information and Securities

Trading Policy” was drafted in 2002. This manual was revised in 2010 and explains the employees’ responsibility to disclose information considered to be of public interest. This document is available to all employees on the Company’s intranet.

Among other issues, this policy establishes that all administrators must declare any alterations that may occur in their investments in Company stocks. The basic objectives of this policy therefore are:

- Ensure full access by the general public to all information disclosed by the Company;
- Deal in a clear and transparent manner with all the topics of interest to the general public and investors, while guaranteeing the accuracy and the quality of the information provided.

ETHICAL CONDUCT

- 4.8 Cemig, in its businesses, is oriented by various practices and policies that align all its activities and relationships in terms of ethical and moral concepts.

In order to guide behavior, actions and professional decisions, all employees, managers, executive officers and members of the Board of Directors and Audit Board adopt the Declaration of Ethical Principles and Code of Professional Conduct, which is consolidated in 11 Principles that translate ethical conduct and values into the Company’s culture and reinforce the internal system of corporate governance (http://ri.cemig.com.br/static/enu/codigo_etica.asp?idioma=enu). In order to facilitate the dissemination of the ethical principles in the corporate environment and in the daily activities of each employee, the Ethics Commission runs the Ethical Energy Program, which consists of training related to the issue for employees, contracted parties and interns. In 2011, 4,013 employees were trained.

The Company ensures the maintenance of relationship channels, both internal and external, in order to allow people to consult information and whistle blowing, which are available to society, clients, suppliers, investors and employees. These channels receive reports of wrongdoing, both anonymous and not, related to irregular or illegal practices and practices that are contrary to Cemig’s “Declaration of Ethical

Principles and Code of Professional Conduct” and/or the “Code of Ethical Conduct for Public Servants and the Upper Administration of the State”.

To receive reports of wrongdoing from the external public, Cemig has a service line connected to the Ombudsman (<http://www.cemig.com.br/ouvidoria>), which has the attribution to, among other things, receive and analyze the suggestions, complaints, complements and reports of wrongdoing related to Cemig’s activities submitted by clients. These are sent to be dealt by the appropriate areas in the appropriate manner in order to solve the problems raised and provide feedback to stakeholders with the goal of guaranteeing their rights and a prompt reaction to their requests and statements. External reports of wrongdoing received by the Ombudsman that do not fall within the attributions of this body are registered with the Reports of Whistleblowing Channel and follow the normal path through the Ethics Commission. In addition, the Ethics Commission can be contacted by e-mail (comissaodeetica@cemig.com.br) or by telephone 55 31 3506-5175.

Compliance with the values, principles and responsibilities established in the Declaration is monitored by the Cemig Ethics Commission, which is composed of a group of Company managers.

The Cemig Ethics Commission coordinates the Company’s actions with regard to the Declaration of Ethical Principles and Code of Professional Conduct, also observing the Code of Ethical Conduct for Public Servants and the Upper Administration of the State. In addition, when doing its work, the Commission gives equal consideration to the principles of the Global Compact. For additional information please visit: <http://www.cemig.com.br/CondutaEtica/Paginas/default.aspx>.

The operation of the Whistle blowing Line and the management of the Declaration of Ethical Principles and Code of Professional Conduct undergo an annual evaluation by an external auditor as part of the process of certifying the entity level internal controls in compliance with the Sarbanes-Oxley Act (SOX)³.

Cemig has a Triennial Audit plan (the current plan covers the period from 2010 to 2012), approved by the CEO, which is complemented by the Annual

³ Because its shares are traded on an American stock market, Cemig is obligated to comply with American Law.



Internal Audit Work Plan. Every three years 100% of the company's processes and units are audited.

The full implementation of the Triennial Plan is aimed at achieving Cemig's strategic objectives by means of an evaluation of the processes that present the greatest exposure to auditing risks and of monitoring of the execution of strategic initiatives. It is composed of an internal audit plan with 198 sub-processes classified into different risk levels (high, medium and low).

The auditing work is done in accordance with international auditing principles, techniques and procedures, in compliance with the standards established by The Institute of Internal Auditors (IIA) and follows the methodology of the Committee of Sponsoring Organizations of the Treadway Commission (COSO)⁴.

Based on the principle that the Internal Control System facilitates the identification of risks and that its adequate implementation allows for the management or reduction of identified risks, preventive audits of the controls for various processes and subprocesses are the focus of the work of Cemig's Internal Audit area, with the goal of complying with the Sarbanes-Oxley Act, Normative Instruction #14/2008 from the Accountability Office of

the State of Minas Gerais (this office assesses the legality of companies' budget, finance and asset management actions) and Cemig Organization Norms and Procedure Instructions, in accordance with the best Corporate Governance practices and the Declaration of Ethical Principles and Code of Professional conduct.

Cemig is a signatory of the Global Compact, the 10th principle of which is combating corruption. This principle is being incorporated into Cemig's Corporate Social Responsibility Booklet.

Cemig accepts neither the practice nor hiding knowledge of the practice of fraud or corruption, in all their forms. Suspected instances and reports of such acts are vigorously investigated and, when proven, the disciplinary procedures established in the Company's internal norms are applied.

In 2011 there were no administrative investigations, internal investigative processes or administrative processes related to reports of corruption. The reports received by the Ethics Commission were of an operational nature and there was therefore, in none of the cases, no need for a special investigation process to be opened.

⁴ The COSO is a private nonprofit organization. It is dedicated to guide companies in establishing operations more efficient, effective and ethical. It sponsors and disseminates research-based methodologies, analysis and best practices of internal control.



GENERAL SHAREHOLDER MEETINGS

According to current legislation, the Ordinary General Meeting of Shareholders is held by the end of April of each year and, in 2011, the Meeting was held on April 29th, 2011. The Extraordinary General Meetings of Shareholders may occur throughout the year, as many times as necessary. In 2011, besides the Ordinary General Meeting, were held five Extraordinary General Meetings. All of them must be called a minimum 15 days in advance, through notices in newspapers of wide national circulation. Shareholders who hold common or preferred shares are entitled to participate in person or represented by their attorneys, but only the common shares of Cemig bear voting rights. For more information about the Meetings held, visit the link: <http://ri.cemig.com.br/enu/s-17-enu.html>

- 4.4 Opinions, suggestions or recommendations for Ordinary Meetings can be forwarded to the following e-mail address: ri@cemig.com.br

UPPER MANAGEMENT

Cemig's Upper Management is composed by the Board of Directors (CA) and the Executive Board, elected in

the following manner: the Ordinary General Shareholders Meeting elects the members of the Board of Directors who, by means of an internal ballot, elect their Chairman and Vice Chairman in addition to nominating the Executive Board.

Board of Directors

Cemig's Board of Directors is composed of 14 members ^{4.3} appointed by the shareholders. The State of Minas Gerais, as the majority shareholder, elects eight ^{4.5} members with another five being elected by AGC Energia S.A. The minority shareholders that hold preferred and/or common shares are guaranteed the right to elect, ^{4.7} ^{4.9} ^{4.10} during a separate vote, 1 (one) member of the Board of Directors. Five of the Board members are currently considered independent according the definition in the Brazilian Institute of Corporate Governance – (IBGCs) "Code of Best Corporate Governance Practices"⁵. All the Board members and their alternates are elected for three-year terms and they may be reelected at the end of their term. The current members' terms expire at the General Shareholder Assembly to be held in 2012.

The Board of Directors is multidisciplinary, composed of members with diverse qualifications and vast business management background. The Board members' résumés can be found at the following address: http://ri.cemig.com.br/static/enu/regint_cons_administracao.asp?idioma=enu

The remuneration of the members is 20% of the

⁵ For further information, please access: <http://www.ibgc.org.br/CodigoMelhoresPraticas.aspx>.

average the members of the executive board are paid and does not include stock options and is not linked to the Company's socio-environmental performance.

Since 2006, there have been committees constituted by the Board of Directors that analyze and discuss in advance the material to be debated by the Board. The attributions and the members of each committee can be found at the following address: http://ri.cemig.com.br/static/ptb/regint_cons_administracao.asp?idioma=ptb#11.

In 2011, the Board of Directors met 26 times to discuss various matters, from strategic planning to investment projects and acquisitions. At the beginning of each meeting the Board Members are invited to declare whether they have a conflict of interest regarding any of the matters to be discussed.

Information on composition, election, term, main responsibilities and attributions of the Board of Directors are described in the bylaws and are available at the following address: http://ri.cemig.com.br/static/enu/estatuto_social.asp?idioma=enu.

Executive Board

Cemig's Executive Board is composed of eleven members elected by the Board of Directors for three year mandates and may be reelected. It is important to note that these members may be dismissed at any time by the same Board that had elected them. It is allowed the exercise of concurrent and non-remunerated positions in the upper management of Cemig's whole subsidiaries, controlled and affiliated companies, at the discretion of their Board of Directors.

At Cemig there are 24 management committees, two subcommittees and one commission, composed of executives from various areas of the Company, which meet whenever called upon to do so by the Executive Board, in order to support the strategic decisions made by the Executive Board and Board of Directors.

The current executive officers' mandates expire at the 1st meeting of the Board of Directors held following the General Shareholder Meeting of 2012.

The Executive Board meets, generally, on a weekly basis. In 2011, 63 meetings were held. The functions of the executive officers are established in the Company Bylaws and information the composition of the Executive Board, as well as the résumés of its members, is available at the following address: http://ri.cemig.com.br/static/enu/diretoria_conselheiros.asp?idioma=enu

AUDIT BOARD

The Audit Board is permanent and is composed of five effective members and their respective alternates, who are appointed by shareholders and who meet the independence requirements in accordance with international practices. The composition of the Audit Board is as follows:

- One elected by holders of preferred shares;
- One elected by holders of common shares who, not belonging to the controlling group, represent at least 10% of the social capital and;
- Three elected by the majority shareholder.

The Audit Board is multidisciplinary and is composed of members with diverse qualifications. Its members are elected at the Ordinary Shareholder Meeting and they may be reelected. Their remuneration is 10% the average paid to members of the executive board⁶. The composition of the Audit Board, as well as its members' résumés, is available at the following address: http://ri.cemig.com.br/static/enu/diretoria_conselheiros.asp?idioma=enu.

The Audit Board also has the attribution to examine all the reports filed by Company employees with the Ethics Commission.

The reports are collected and classified as operational or non-operational, using an electronic system available on the intranet – Whistle blowing Channel. The Audit Board analyzes each non-operational report and proposes treatment actions to be carried out by the Internal Audit area.

At Cemig the Audit Board acts as an alternate body to the Audit Committee in accordance with the exemption

⁶ See explanatory note No.26, remuneration of key Administration personnel item.

allowed by the Exchange Act. Rule 10A-3 regulated by release 82-1234 of the Securities and Exchange Commission (SEC).

The Audit Board held 10 meetings in 2011.

REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The total remuneration of the Board of Directors and Executive Officers in the 2011 and 2010 fiscal years was as follows:

R\$ thousand	2010	2011
Remuneration	2,329	3,921
Profit Sharing	611	849
Post-employment benefits	189	306
Assistance benefits	614	44
Total	3,743	5,120

INDEPENDENT AUDITS

Cemig rotates its independent auditors at every five years in compliance with the regulations of the CVM - the Brazilian Securities Commission.

All Financial Statements for the 2011 fiscal year were audited by KPMG *Auditores Independentes* their report stated that there were no reservations.

As required by Law, Cemig's independent auditors are selected by means of a public bidding process.

INTERNAL CONTROLS AND SARBANES-OXLEY ACT (SOX)

- 4.9 Every year, Cemig's Upper Administration, based on an analysis and revision of the risk map for processes, documents and tests the effectiveness of

the controls at the business and entity process level, including those controls supported by information technology, in conformity with the norms of the Securities and Exchange Commission (SEC) and based on the criteria established by the Public Company Accounting Oversight Board (PCAOB), the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for Information and Related Technology (COBIT).

As well as complying with the Sarbanes-Oxley Law, the activities related to Certification of Internal Controls contribute to the efficiency of the risk management, control, and corporate governance processes. They are carried out and monitored systematically and permanently.

Cemig has obtained unconditional Certification of its Internal Controls for the Consolidated Financial Statements for the 2011 fiscal year. For the 2011 certification, which is to be concluded in 2012, a connection was established between the controls and the potentially significant accounts and an external audit was conducted of the design of the key processes and controls for ensuring that the risks associated with the preparation and distribution of the financial statements for this fiscal period were mitigated.

TRANSACTIONS WITH RELATED PARTIES

Cemig, as part of its commitment to implement the best Corporate Governance practices and in compliance with CVM (Brazilian Securities and Exchange Commission) Instruction # 358/02, is negotiating with the Government of the State of Minas Gerais, its main shareholder, for the early liquidation of the Credit Assignment Agreement for the Remaining Balance of the Tracking Account ("Contrato de Cessão de Crédito do Saldo Remanescente da Conta de Resultados a Compensar" - CRC). The negotiations are ongoing and, following their conclusion, the resulting agreement should be sent for approval by the competent regulatory authorities (see explanatory note No. 27 in the consolidated financial statements).







ECONOMIC DIMENSION

CEMIG, 12 CONSECUTIVE YEARS IN THE DOW JONES SUSTAINABILITY INDEX. WHEN A COMPANY GROWS OUT OF CONSISTENT FINANCIAL MANAGEMENT, IS COMMITTED TO SOCIAL WELFARE AND INVESTS IN CLEAN ENERGY, THE WHOLE WORLD BECOMES A BETTER PLACE... AND RECOGNIZES ITS ACCOMPLISHMENTS.

MANAGEMENT

4.11 Risk Management

The corporate risk management is a managerial tool that is an integral part of corporate governance practices in Cemig.

Those risks found in Cemig's corporate matrix refer to the events that may come to prevent the accomplishment of the objectives and directives established during the strategic planning process. The value chain at Cemig encompasses all business areas: Generation, Commercialization, Transmission, Distribution and Corporate. The Risks are assessed

as per their financial impact and their probability of occurring in the several businesses of the value chain. On an annual basis, all risks are updated by the managers in charge with support from the Corporate Risk Management area.

To make it even more effective and more easily embedded into the organizational culture, the Company seeks to align its risk management with the Strategic Planning process.

The Company takes action to deal with risks: (I) by diminishing their impact and/or probability through the refinement of controls and the implementation of action plans; (II) by transferring them by purchasing insurance policies; (III) by accepting them (due to



TRANSMISSION LINE ELECTRICIAN

the effectiveness of the control environment and to the allowed level of financial exposure) or; (IV) by avoiding them, providing the Upper Administration with support in their decision making for business continuity.

For Cemig, risk measurement is established using the ORCA Methodology, founded on four dimensions: Objectives, Risks, Controls and Alignment.

Although the Cemig’s structure for management of corporate risks bears a decentralized matrix structure, the monitoring is centralized in an exclusive area of Corporate Risk Management, which generates relevant sets of information with a systemic vision. This structure allows the interaction of the Corporate Risk Management process with other management components such as the Budget Prioritization Committee, the Energy Risk Committee, Insurable Risks Committee, Control and Financial Risk Management, in addition to compliance with the Sarbanes-Oxley Act and with Internal Audits.

In 2011, the Corporate Risk Monitoring Committee – CMRC was created with the following main attributions:

(I) Propose, for approval by the Executive Board, directives, policies and procedures to be adopted in the Corporate Risk Management Process, thus guaranteeing that the process is continuously improved and promoting their dissemination; (II) Analyzing and proposing to the Executive Board priority actions contemplating the risks categorized as “critical” in the final exposure matrix; and (III) Submitting, for approval by the Executive Board, mechanisms for the operationalization of strategic monitoring of the identified corporate risks and effective actions for reducing the levels of financial exposure and of intangible impact to an acceptable level, keeping in mind the mitigating action plans, aligned with the Company’s Long Term Strategic Plan.

In addition to Process Risks, a matrix with Cemig’s main Strategic Risks was recently created. These risks were categorized as being: Financial, Operational, Strategic and Regulator, Concession Renewal, Difficulties in Raising Resources and Environmental Contingencies. The matrix makes possible to visualize the risk level in terms of the combination of consequences and the probabilities. These risks are validated and prioritized by the Corporate Risk Monitoring Committee.

STRATEGIC RISK FACTOR MATRIX

IMPACT	High (2)	11	7	1	10	22	2	
	High(1)	24	20	14	8	4	23	
	Medium (2)	16	25	18	6	15	12	9
	Medium (1)	19	17	21				
	Low (2)							
	Low (1)							
		Low (1)	Low (2)	Medium (1)	Medium (2)	High (1)		
		PROBABILITY						

Capital Raising and Debt Management Policy

In 2011 roughly R\$ 3.608 billion in capital was raised through loans and financing and approximately R\$ 2.219 billion was amortized, in a consolidated company vision. The Company remains committed to maintaining its “investment grade” credit rating, which means that the company presents a low credit risk, thus allowing the company to benefit from financing costs that are compatible with the profitability of the business and demonstrating that the process of

expanding the company’s activities was done in a sustainable manner.

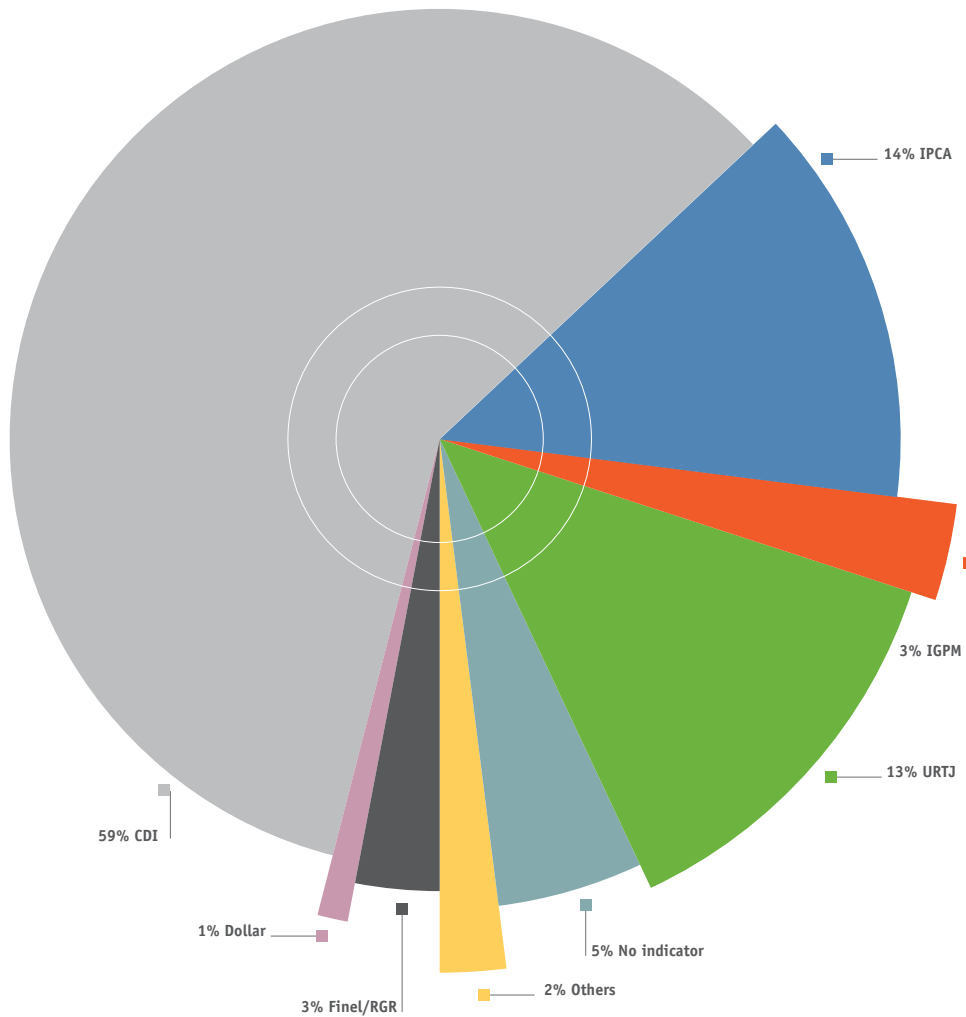
At the end of the year as a way to replenish the cash due to investments made during 2011 and seeking to secure funding resources to enable an acquisition of assets scheduled for the first half of 2012, Cemig issued promissory notes valued at R\$ 1 billion with a maturity of 360 days, confirming the responsiveness the company enjoys in the local capital market.

The composition of Cemig's debt is a reflection of the resource sources available to the company (bank credit used to roll over debt and the issue of debentures and promissory notes, in which a significant demand has been allocated on paper referenced to the local interest rate), as well as its intention to avoid exposure

to debt in foreign currency (currently at 2%). The significant concentration of debt in Interbank Deposit Certificates (CDIs) – (59%) will reduce debt costs in a scenario in which interest rates fall in the long term. The average cost of Cemig's debt is 7.21% per year at constant price.

MAIN DEBT INDICATORS

On December 31st, 2011



Cemig has managed its debt with a focus on extending the maturity dates, on limiting indebtedness to the levels established in the Bylaws, on reducing financing costs and on preserving the Company's ability to pay, without exerting pressure on cash flow that could indicate refinancing risks.

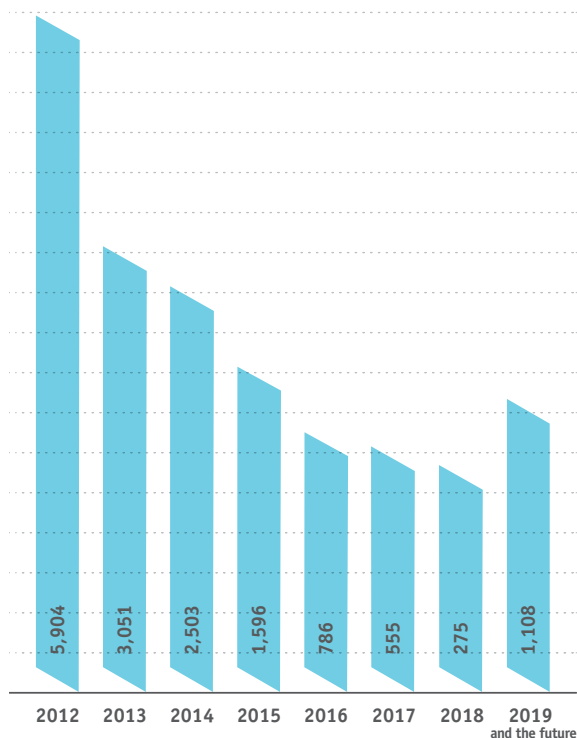
years, though there is a concentration of debt that was to mature in 2012, as can be seen in the graph below, which was partially refinanced in March of 2012 through the issuance of Cemig GT debentures, as was mentioned in the previous paragraph.

The amortization schedule for the Company's debt on December 31st 2011 was satisfactorily scaled over the coming years, with an average maturity of 3.1

Further details on Cemig's main capital raising transactions in 2011 can be found in the Standardized Financial Statements available on the Company website and at the CVM (Brazilian Securities and Exchange Commission).

DEBT AMORTIZATION SCHEDULE

Position in December/2011 (R\$ million)



Cemig's credit rating and those of its main controlled companies did not change during 2011, even during a period in which the company is expanding via projects or acquisitions. This reflects a positive perception of healthy profitability and strong cash generation, assured by solid credit indicators and an adequate liquidity profile, according to data from the main ratings agencies.

Clients

The "Client Management System", which was implemented in 2008, has produced greater quality in client registry data, security and the billing control, collection and servicing processes, in addition to integration with other management systems, technological updates and replacement of the mainframe system, and greater compliance with Sarbanes-Oxley Act (SOX).

From the client point of view, the system makes it possible to keep historical data on all contacts, which translates into speedier services and improved quality of information and greater interaction between the diverse channels of communication with the client, among other advantages.

Captive Clients

Captive clients are those whose keep commercial relationship with Cemig D, with tariffs regulated by the ANEEL.

In the captive market, the role of the consumer is entirely passive, with energy being supplied exclusively by the local distributor with the price and other supply conditions being regulated by ANEEL (National Electric Energy Agency). In turn, distributors may only buy electricity to supply to their clients in a regulated manner, through the Regulated Procurement Market (ACR).

Customer service channels and client relationship initiatives are described in the social dimension, Consumer Service Channels item.

Large Corporate Clients

Cemig has a rich tradition in the free market and it was one of the first energy companies to sign contracts in this market.

The company currently has roughly 25% of the free energy market, selling 19.738.116 MWh to 315 clients in the states of Minas Gerais, São Paulo, Rio de Janeiro, Rio Grande do Sul, Bahia, Pará, Espírito Santo, Mato Grosso do Sul, Santa Catarina and Goiás. This makes Cemig the largest seller of electric energy for end-use clients in Brazil.

Cemig believes that visits and daily contacts, through its relationship agents are an efficient manner of identifying the needs and expectations of its clients and bringing about their realization.

Another efficient method of identifying these needs is by holding events focused on clients, such as meetings of market agent associations, regional and sector meetings and international conferences, whereas relevant issues to the electric sector and strategic themes are discussed.

Through these initiatives, Cemig develops products, often in partnership with the client, in an effort to meet their specific needs through the implementation of a customized solution.

Cemig's main relationship channels for large corporate clients are described in the table below:

Channels	Objectives	Comments
Corporate Client Portal	Improvement of the Corporate Client Portal	The Corporate Client Portal was refined in 2011 following surveys conducted among clients and relationship agents in order to improve the dissemination of information of interest to this class of clients.
Regional and Sector Meetings with corporate clients	Meetings with corporate clients in a determined sector or region in order to discuss issues of specific interest to that sector/region, associated with electric energy.	In 2011 a meeting was held with the occupational safety departments of corporate clients which 150 people attended. The objective of this event was the dissemination of information of safety and the strengthening of the relationship between Cemig and the safety departments at corporate clients in order to develop ways of working together on this issue.
Brand and Reputation: Surveys of corporate clients.	Survey regarding Cemig's brand and reputation, conducted annually among corporate clients, segmented into samples in order to identify the most significant opinions among them regarding Cemig's brand and reputation.	The performance of the brand improved among corporate clients, investors and municipal governments.
Satisfaction Survey regarding the Energy supply – medium and high voltage clients	Survey conducted with the goal of assessing the quality of the services that the company renders (focus on energy supply) as well as client needs in terms of electric energy utilization. The methodology involves in-person interviews with a sample from each segment. The interviews were conducted in November and December of 2010 and January of 2011 with the data being delivered and reports produced in 2011.	Announcement of the results of the Satisfaction Survey conducted between November 2010 and January 2011. 280 clients, distributed so as to represent the High voltage, Medium Voltage and Special Medium Voltage (incentivized energy) segments were interviewed. The results were very favorable with a score of "excellent" (over 85%) for many attributes. ⁽¹⁾ The main indexes generated through the Satisfaction survey were: General Satisfaction Index (ISG): 88.5% and the Perceived Quality Satisfaction Index (ISQP): 84.7%.
Newsletter for corporate clients	Newsletter sent to corporate clients via e-mail, twice yearly, containing information and news of interest to them in the fields of regulation, relationships, energy efficiency and safety.	The 18th edition was sent in December of 2011.
Creation of the Incentivized Energy Market Relation Superintendence	These superintendencies have the objective of negotiating incentivized energy contracts for which the source is SHPs, biomass, wind power and solar power.	Deals have been signed with 200 clients for delivery by 2018 and for this reason, Cemig is diversifying its purchase portfolio, acquiring various incentivized energy sources.
Energy-demand package – offering unique products	The objective is to optimize the assets available in its electric system at peak hours.	Cemig, aware of the market needs, offers several times a year an energy supply associated with demand, called "energy-demand package", focused on peak hours. Cemig is offering its clients a unique product at a very competitive price. From the client's point of view, in the Medium Voltage market, this type of service can replace the banks of diesel generators that they typically use during peak hours, thereby increasing production and the possibility of creating third shift at some companies.

⁽¹⁾ A workgroup was designated with representatives from the three segments (High Voltage, Medium Voltage and Special) to create an action plan aimed at improving the indexes that presented the worst performance. The resulting action plan is composed of 14 actions, the last of which calls for monitoring the monthly presentation of its implementation status.

Long Term Contracts Signed with Large Clients

Cemig's goal is to expand even further its activities outside the state of Minas Gerais, in places where it already has clients, such as in São Paulo, Rio de Janeiro, Mato Grosso, Mato Grosso do Sul, Goiás, Espírito Santo and Bahia, thus developing client loyalty.

The Votorantim Group has a contract signed with Cemig for the supply of an average of 670 MW of electric energy for plants in the Group located in the Southeastern and Mid-Western regions in Brazil. This is the largest contract ever in the Brazilian electric sector signed between a generator and a free consumer and is valid until 2028.

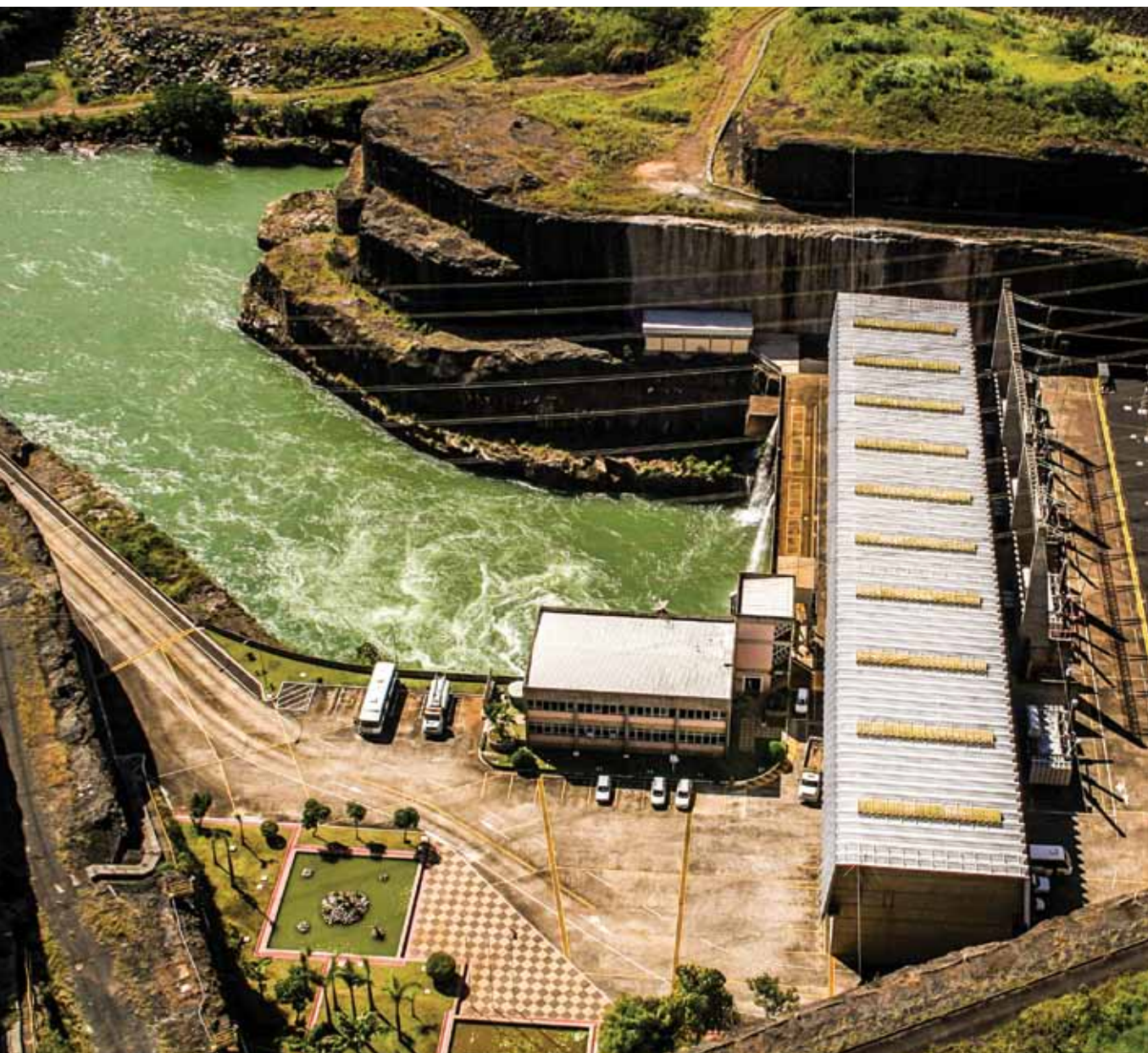
ArcelorMittal has an electric energy supply contract for all its industrial plants as well as for the plants run by

Belgo Bekaert, a company in the Arcelor group located in the Southeastern and Northeastern regions of Brazil, which is valid until 2020 and covers quantities of energy on the order of 313.5 MW.

White Martins has signed contracts for the supply of energy to the White Martins Group's plants that are valid through 2028 and cover quantities of energy that surpass an average of 235 MW.

Every Cemig's energy purchase contracts have been endowed with a social responsibility clause according to which the supplier declares an ethical posture with respect to the treatment of their employees, contracted parties and service providers.

The clause presents details with respect to this ethical



posture and demands that this supplier require a similar posture from its service providers and suppliers, thereby extending it throughout the chain.

Demand Side Management

EU7

Large variations in the energy volume consumed at peak hours and during other hours may lead to a loss of efficiency, since the Company's structure is at risk of being underutilized at certain times.

Since supplying the electric energy demand of Cemig's several different consumer modalities requires the utilization of a large amount of resources, the entire electric energy generation, transmission and distribution network must be properly dimensioned so as to supply the entire set of consumers, even at those

hours with largest energy consumption (peak hours).

In order to minimize peaks and, consequently, the underutilization of the system at those hours with diminished demand, the Company works with its largest industrial consumers through commercial policies (hourly-seasonal tariffs – THS) which provides incentives to shift the energy demand away from the peak hours. The table below shows how demand side management actions have allowed for a reduction in demand at peak hours in 2011.

	Summer	Winter
Cemig's maximum demand – MWh/h	7,930	7,913
Total reduced – MWh/h	559	559
Demand Reduced / Maximum Demand %	7.05	7.07

Management System

Among the various existing management support models, Cemig has opted to use the models based on the 9000 and 14000 Series ISO norms, as well as OHSAS 18001 and on the model of excellence in management from the Fundação Nacional da Qualidade (National Quality Foundation). This methodology has assured that the Group's processes are based through continuously audited management practices.

EU21 Cemig has measures for risk analysis, and testing of emergency plans, communications, and the respective commitments of third parties. In addition, training and preparation are carried out for employees, contractors, subcontractors, with adherence to Company's performance standards (eg ISO 14001 and OHSAS 18001).

Cemig Distribuição was recognized as Outstanding in the Processes category at the Prêmio Nacional da Qualidade – PNQ (National Quality Award) ceremony in 2011. Cemig GT, which has been taking part in the PNQ Cycle since 2009, was recognized as Outstanding in the Clients category during this same cycle.

Environmental Management System

Different areas at Cemig may be certified in the Sistema de Gestão Ambiental - SGA ("Environmental Management System"), in accordance with the NBR ISO 14001:2004 Norm, or they may adopt an Internal Management System, called SGA Level 1, which was developed based on the principles and requirements of the NBR ISO 14001 Norm. For more information regarding the SGA, see the Environmental Management item in the Environmental Dimension of this report.

Quality Management System

Most of the processes and installations at the company, including all the large power plants, substations and lines above 230 kV, the company's operational and administrative areas, as well as the energy distribution and commercialization processes and the Company's support areas, are certified in conformity with NBR ISO 9001:2008, which allows for their effective management in line with the business's macroprocesses. This certification guarantees control and continuous improvement of quality. In 2011 the Cemig Corporate Communication area was certified in compliance with the above mentioned norm.

Health and Safety Management System

Cemig follows the determinations of OHSAS 18001:2007 **PR1** when managing Occupational Health and Safety in a way that 100% of the Company's substations and transmission lines with a voltage above 230 kV, and 89% of its installed generation capacity are certified as compliant with the norm, as well as the management offices responsible for: Asset Security, Professional Development and Growth Centers, Material and Supplier Quality, Dam Safety and Civil Maintenance Planning. It is important to note the certification in the Executive Energy Distribution and Commercialization Office of the management offices responsible for: Management and Execution of distribution Services, Management of the Executive Office's Infrastructure, Activities, Management and Maintenance of Network, Line and Substation Assets, Project Development, Billing, Arrears and Commercial Losses, Relationship Centers and Agencies.

Additional details regarding Health and Safety Management can be found in the Social Dimension in the HS&WB Management item.

CEMIG'S MARKET

Sector Regulation

The national electric sector is formed of the generation, transmission and distribution segments, public utility activities that operate in an integrated manner, constituting the National Interconnected System (Sistema Interligado Nacional - SIN). It is regulated mainly by the National Electric Energy Agency (Agência Nacional de Energia Elétrica - ANEEL), a governmental body whose mission is to provide favorable conditions for the electric energy market to develop in a balanced way among the agents and to the benefit of society (www.aneel.gov.br).

One of Cemig's most valuable intangible assets is its set of concessions to operate in the segments mentioned above, the expiration dates for which vary in accordance with the date of the grant. The Ministry of Mines and Energy constituted a technical workgroup to analyze the criteria that will be applied for the renewal of the generation, transmission and distribution concessions that expire beginning in 2015.

Suggestions will be sent to the National Energy Policy Council (Conselho Nacional de Política Energética) and will have the objective, according to statements made by members of this group, of reducing tariffs for consumers.

It is hoped that in 2012 the Federal Government will define the criteria for the renewal of the concessions, at which time it will be possible to determine the impact of these criteria on the Company's results.

Market Evolution

EU3 Cemig's market comprises the sales of Cemig D, consolidated Cemig GT (Cemig GT, Cachoeirão, Pipoca, Baguari Energia and Centrais Eólicas Praias do Parajuru, Praia do Morgado and Volta do Rio according to the shareholding of Cemig GT), companies Subsidiaries and Affiliates (Horizontes, Ipatinga, Sá Carvalho, Barreiro, Cemig PCH, Rosal and Capim Branco).

This market corresponds to the energy sales to captive consumers and free customers, in the concession area in Minas Gerais and outside the state, the trading of

electricity to other power agents in the Ambiente Regulado de Contratação - ACR (Regulated Contracting Environment) and Ambiente de Contratação Livre" - ACL (Free Contracting Environment) and sales in the Programa de Incentivo a Fontes Alternativas de Energia Elétrica - PROINFA (Incentive Program for Alternative Sources of Electric Energy) and Câmara de Comercialização de Energia Elétrica - CCEE (Electric Energy Commercialization Chamber), eliminating transactions between Cemig's group companies.

Cemig's market is detailed in the table below, with a list of the transactions made in 2011 compared with those of 2010.

Cemig commercialized a total of 64,386 GWh in 2011, with an increase of 4.4% in comparison with 2010.

Energy sales to final consumers totaled 45,280 GWh, an increase of 5.6%, due to expansion of the internal and external markets, despite the deceleration of the domestic economy and deterioration of the international situation in the second quarter of the year.

CEMIG'S MARKET

List	2010		2011		△ % 2011 / 10
	MWh		MWh	%	
Cemig Consolidated ⁽¹⁾	57,215,585		64,386,093	92,8	12,5
Sales to Final Consumers	42,870,351		45,280,597	70,3	5,6
Residential	8,131,143		8,548,212	13,3	5,1
Industrial	24,442,324		25,577,619	39,7	4,6
Captive	4,757,191		4,718,812	7,3	-0,8
Free	19,685,133		20,858,807	32,4	6,0
Commercial	4,862,394		5,340,259	8,3	9,8
Captive	4,775,770		5,180,848	8,0	8,5
Free	86,624		159,411	0,2	84,0
Rural	2,455,112		2,632,721	4,1	7,2
Other classes	2,979,378		3,181,786	4,9	6,8
Wholesale sales ⁽¹⁾	14,260,462		14,379,474	22,3	0,8
CCEAR - ACR	10,144,034		10,150,605	15,8	0,1
Free and bilateral contracts	4,116,428		4,228,868	6,6	2,7
PROINFA sales	84,771		120,827	0,2	42,5
CCEE sales	4,439,834		4,605,195	7,2	3,7

⁽¹⁾ Energy commercialization contracts in the regulated environment (Auction). CCEAR between Cemig GT, Cemig D and sales from controlled company Capim Branco to Cemig D are excluded.

The performance of the main electric energy consumption classes are described below:

Residential: Residential consumption, which totaled

8,548 GWh in 2011, represented 13.3% of the energy transacted by Cemig and was 5.1% higher than in 2010. The increase in energy consumption by this class is associated with the connection of new consumer units

and an increase in the consumption of goods and services by families in function of favorable economic conditions in Brazil, with continuation of a strong labor market and growth in wages associated with an expansion in available credit.

The average monthly consumption per residential unit in 2011 was 122.0 kWh, which was 2.6% higher than in the previous year.

Industrial: The energy consumed by captive and free customers totaled 25,578 GWh and corresponded to 39.7% of the volume transacted by Cemig in 2011. This was 4.6% higher than in 2010 due to growth in industrial activity resulting from increased exports, both in terms of volume and value, and increased production to meet internal demand, despite signs of slowing growth in the second quarter of the year.

Noteworthy in this class are the following areas of activity: Alloy metallurgy, Chemicals, Transport Materials, Non-Ferrous Metallurgy and Other Non-Metallic Minerals with growth rates of 6.0%, 18.9%, 10.7%, 1.6% and 0.4%, respectively.

Commercial: This class represented 8.3% of Cemig's market in 2011 (5,340 GWh) and grew by 9.8% in comparison with 2010. This growth was associated with an increase in internal demand, or that is, with end user consumption by families and the consumption of goods and services by various sectors of the economy.

The most important sectors in this class registered the following growth rates in 2011: Retail (9.3%), Food and Hospitality Services (4.4%), Communication Services (5.0%), Healthcare Services (3.8%) and Wholesale (11.3%).

Rural: Rural consumption grew 7.2% as a result of the connection of 120,881 rural properties and an increase in demand for irrigation due to atypical weather conditions over the course of the year.

Other Classes: The other classes – public power (government), public lighting, public service and own consumption, representing 4.9% of the energy transacted, consumed 3,182 GWh and, together, grew by 6.8% in 2011.

Wholesale energy sales totaled 14,379 GWh in 2011, 0.8% higher than in 2010, with growth of 0.1% in the ACR (Regulated Procurement Environment) and 2.7% in the ACL (Free Procurement Environment).

The client structure in Cemig's market is detailed in the table below, which contains a list of the number of consumers billed per electric energy supply and commercialization segment. The table also features a comparison between the positions in December of 2010 and December of 2011.

The total number of consumers billed reached 7.336 million in December of 2011, with growth of 3.8% in comparison with December of 2010.

NUMBER OF CONSUMERS - CEMIG CONSOLIDATED

List	December 2010		December 2011		△ % 2011 / 10
	Number of consumers	Number of consumers	Number of consumers	%	
Total Consumers	7,064,500	7,336,343	(100,0)		3,8%
Sales to final consumers	7,064,449	7,336,284	100,0		3,8%
Residential	5,774,879	5,862,612	79,9		1,5%
Industrial	76,050	77,229	1,1		1,6%
Captive	75,839	77,002	-		1,5%
Free	211	227	-		7,6%
Commercial	609,266	670,103	9,1		10,0%
Captive	609,243	670,067	-		10,0%
Free	23	36	-		56,5%
Rural	532,776	653,657	8,9		22,7%
Other classes	71,478	72,683	1,0		1,7%
Wholesale sales	51	59	0,0		15,7%
CCEAR - ACR	34	35	0,0		2,9%
Free and bilateral contracts	17	24	0,0		41,2%



EU12 Electric Energy Balance Sheet

The energy balance sheet for Cemig’s Consolidated market covers the electric energy purchase and sale transactions made by Cemig D, Cemig GT, Cachoeirão, Horizontes, Barreiro, Sá Carvalho, Ipatinga, Cemig SHP, Rosal and Capim Branco.

The resources utilized in 2011 totaled 81,523 GWh, which is 4.9% higher than in the previous year (77,752 GWh).

The parcel of energy produced in 2011 was 33,788 GWh, which represents growth of 2.4% in comparison with 2010 and the parcel of energy purchased totaled 47,735 GWh with growth of 7.4%.

Cemig commercialized 75,811 GWh of energy, which is 5.2% more than in 2010 (72,036 GWh) and, of

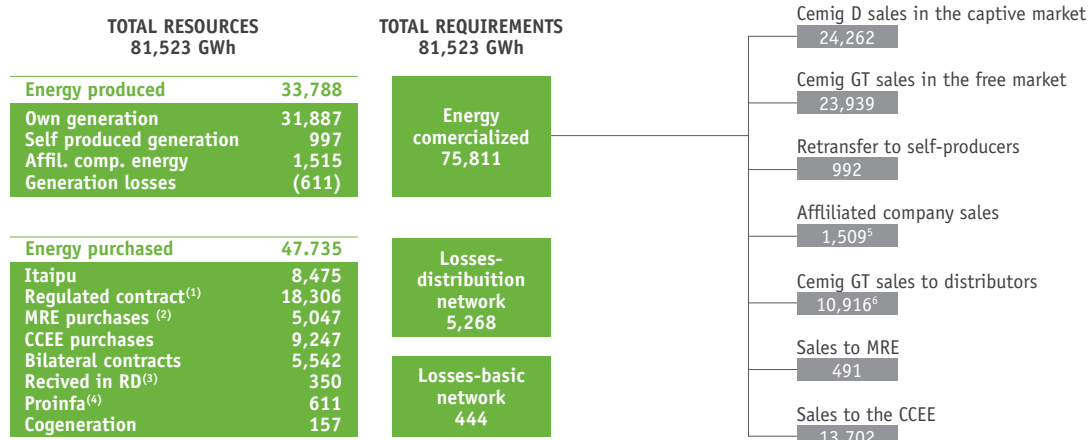
this total, 63.6% (48,201 GWh) was sold to final consumers, captive and free.

The energy supplied by Cemig D to captive consumers totaled 24,262 GWh with growth of 5.0% in 2011 and the energy commercialized by Cemig GT in the free market totaled 23,939 GWh with growth of 4.7%.

In the ACR, Cemig GT supplied 10,916 GWh to distributors, which was 1.1% higher than in the previous year.

In the 2011 electric energy balance sheet, total losses in the distribution network and in the basic network were 5,712 GWh and were 0.1% less than the losses recorded in 2010 (5,716 GWh).

ELECTRIC ENERGY BALANCE
January to december 2011 – Consolidated Cemig



Include the energy balances of following companies: Cemig D, Cemig GT, Capim Branco, Cemig PCH, Horizontes, Cachoeirão, Rosal, Sá Carvalho and UTE Barreiro. Does not include transactions between companies.

⁽¹⁾ Energy commercialization contracts in the regulated environment and adjustment auctions.

⁽²⁾ Energy reallocation mechanism.

⁽³⁾ Generation injected directly into the distribution network.

⁽⁴⁾ Alternative energy source incentive program.

⁽⁵⁾ Bilateral contracts – Sá Carvalho, Horizontes, Pai Joaquim, Rosal, Barreiro, Cachoeirão and Ipatinga Thermal Plants.

⁽⁶⁾ Cemig GT sales in the regulated procurement environment - ACR.

Electric Energy Auctions

Cemig D participated in three auctions in the Regulated Procurement Environment, run by the National Electric Energy Agency (ANEEL), with a supply period running from 2011 to 2043, in which the following were purchased by the company:

Auction	Amount (average MW)	Average Price (R\$/MWh)
A-3 Auction	389.16	102.07
A-1 Auction	18.13	79.99
July-december adjustment auction	137.00	56.13

Cemig GT also participated in three auctions in the Regulated Procurement Environment, held by the National Electric Energy Agency (ANEEL), with a supply period running from 2011 to 2014, in which the following were sold by the company:

Auction	Amount (average MW)	Average Price (R\$/MWh)
A-1 Auction	85.00	80.00
January-june adjustment auction	85.00	108.00
July-december adjustment auction	62.00	54.73

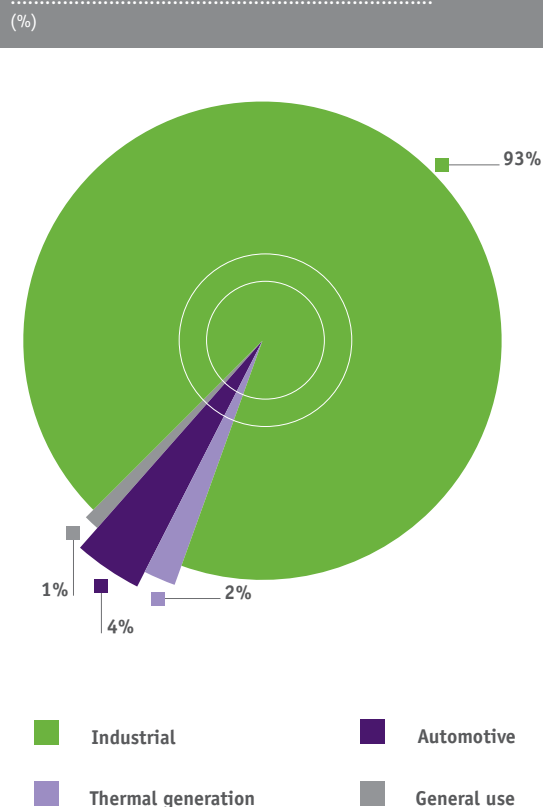
In the free environment, Cemig GT held a total of 65 auctions in 2011 for energy sales and purchases, at which it commercialized 30,226 GWh, and participated in a total of 96 third party energy sale and purchase auctions, at which it commercialized 4,109 GWh.

Cemig GT's strategy for energy auctions in the ACR is based on the premises established by the Company, as an approved future price curve and by the Structural Energy Balance, which defines the availability to be directed to agents in this market.

Natural Gas Commercialization

Cemig's subsidiary, Gasmig, the 3rd largest natural gas distributor in the country, boasts 403 clients divided into the following segments: Industrial, General Use, Automotive and 2 Thermal Power Plants. In 2011, a total of 1.065 billion m³ were commercialized, in comparison with 962 million in 2010. This total includes, in addition to the conventional market, the demand from thermal plants in Juiz de Fora and in Ibitiré (both cities located in Minas Gerais Estate). The following chart presents the natural gas sales, stratified per segment:

COMMERCIALIZATION OF NATURAL GAS PER SEGMENT



Loss Management

Loss control is one of Cemig's strategic objectives and there is currently a structure within the Company dedicated to this purpose, which monitors the Índice de Perdas Totais da Distribuição – IPTD (Total Distribution Losses Index). The goal for this indicator is lower than regulatory indexes (12.07%) and is closer to the figures used in North America (9.38%) than in South America (17.23%), according to data from the World Bank.

The total losses, composed of technical losses plus non-technical losses by Cemig D, reached 10.25% in 2011. Cemig D has achieved good results in controlling both technical and non-technical losses. ANEEL, through a benchmarking model, established a goal of 9.2% for technical losses over energy injected and Cemig D obtained a figure of 8.34%. As for non-technical losses, ANEEL adopts the low voltage market figures as references. In this case, Cemig is 33% below the limit established by ANEEL in the last tariff revision (achieving 6.06%, compared with 9.05% established by ANEEL), which denotes a contribution towards the strategic objective of reducing losses.

ENERGY QUALITY

Technical Losses

Technical losses in the distribution system are inherent to the transportation of energy over the equipment and transmission and distribution lines. They are influenced by, among other factors, the dispatch conditions at the plants, the level of reinforcement work being done on the electrical system, the behavior of the consumer market and the undertaking of specific reduction actions.

In 2011, Cemig's technical losses dropped even though there was an expansion of the distribution networks as a result of the "Luz para Todos" universal access to energy program, with the construction of 13,400 km of rural networks (45,125 new connections), especially via extensions from the ends of existing networks and widely dispersed low voltage service with a low load factor.

Among the actions undertaken in 2011 aimed at controlling and minimizing technical losses, the following are especially noteworthy:

- Investment of R\$ 70 million to reinforce the Low and Medium Voltage electric system and R\$ 261 million to expand and reinforce the subtransmission system (69kV to 230 kV).
- Acquisition and installation of distribution transformers with amorphous core technology, which reduces no-load losses by roughly 80%.

In addition to these actions there were other noteworthy undertakings aimed at controlling technical losses such as a search for new network and conductor technologies, studies on increasing the operational efficiency of the electric system, the establishment of criteria to limit the levels of technical losses in the low and medium voltage circuits and the development of a reactive medium voltage compensation plan featuring the planned installation of fixed automatic capacitors over the next few years.

Non-Technical Losses

In 2011, R\$ 22.1 million were invested in programs aimed at reducing non-technical losses, which translated into the inspection of more than 107 thousand consumer units suspected of irregularities. This resulted in gains of R\$ 90 million (roughly 258 GWh), considering the potential for collecting the energy bills charged retroactively and the additional energy billed following regularization of the connections.

The distribution system, represented by lines, networks and substations with voltages below 138 kV, is subject to interruptions. These interruptions originate in the actions of external and internal agents on the electric system, such as natural phenomena, environmental interferences, failures, the actions of protection equipment and operational necessities. EU6
EU28
EU29

The quality of the energy supply is measured by means of two indicators: Duração Equivalente de Interrupção por Unidade Consumidora - DEC (System Average Interruption Duration Index - SAIDI) and Frequencia Equivalente de Interrupção por Unidade Consumidora - FEC (System Average Interruption Frequency Index - SAIFI), which are monitored by the Company and by ANEEL.

The SAIDI and SAIFI continuity indicators calculated in 2011 were 14.32 and 7.01, respectively. The SAIDI indicator exceeded the goal established by ANEEL (12.92 hours). The SAIFI indicator was 22.0% lower than the goal established by ANEEL (9.0 interruptions).

Cemig has adopted a strategy of seeking continued improvements in the performance of the electric system through a policy of markedly increasing the investments after the last tariff revision. Funds on the order of R\$ 600 million/year are being invested in improvement, reinforcement, renovation and preventive maintenance actions in order to guarantee the quality of the electric energy supply.

In 2010 roughly R\$ 217.7 million were invested in projects involving the replacement of damaged equipment, the replacement and repair of networks and equipment that presented critical performance problems, an elevated failure rate, low operative flexibility and that were at the end of their useful lives. This investment represents an increase of 71% in comparison with 2010.

Resources of approximately R\$ 252 million were also invested in the maintenance of networks, lines and substations through such actions as pruning trees, cleaning and clearing right-of-ways, replacing structures and increasing the number of emergency service teams.

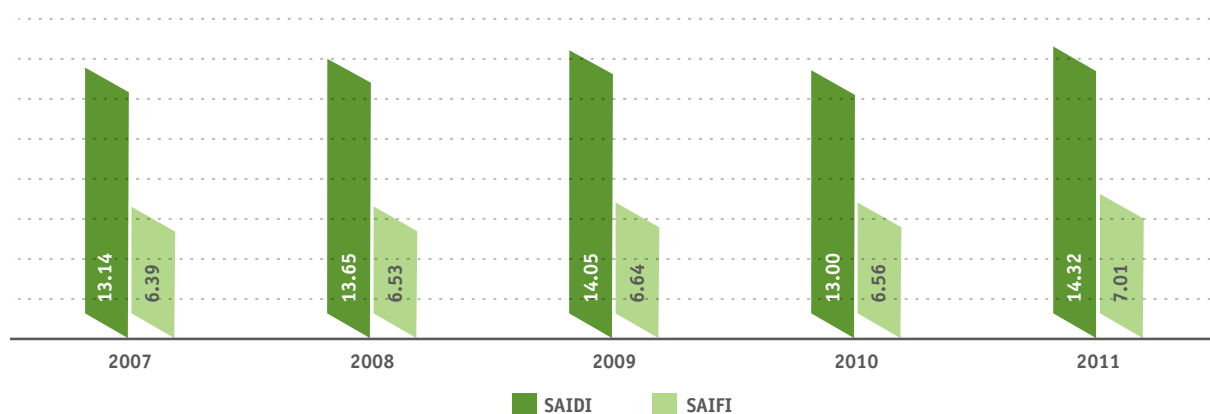
In order to solidify the project and maintenance plan for this program, it was necessary to increase the number of scheduled interruptions. This impacted the DEC indicator, which measures the average time that each consumer is not supplied with electric energy. However, Cemig Distribuição made the strongest possible effort to reduce the effects of these interruptions through the utilization of teams specialized in energized network (live line) work, the utilization of mobile substations and special generator motor groups for medium voltage connections, mega jumpers, the development of provisory high voltage arrangements for the connection of lines or new consumers, etc.

In 2011, 332,501 interruptions were registered. Of these, 82% were accidental and 18% were scheduled. Roughly 49% of the sustained energy interruptions

(duration longer than 3 minutes) in 2011 originated in causes that were external to the system (natural phenomena and the environment), 33% were of internal origin (equipment failures, human error, handling errors, etc.) and 18% were scheduled interruptions. Among the main external causes, lightning was responsible for 21%, contact between birds and animals and the network represented 10% and tree-related interruptions accounted for 10% of the total.

In 2011, R\$ 105.6 million were invested in preventive maintenance (cleaning and clearing right-of-ways, pruning, replacing crossarms, maintenance of structures, replacement of deteriorated posts, transformers and cables), and R\$ 34.13 million were invested in network renovations (network shielding, circuit renovation and the interconnection of circuits).

SAIDI AND SAIFI INDICATORS



EU21 Cemig has and utilizes an operational procedure to deal with emergencies in the electric system that may impact the population and/or the company's image. This procedure defines what critical events are, preventive measures (inspections, maintenance and improvements made to the electric system) as well as the "Emergency Action Matrix". This matrix contains all the steps regarding what, who, when, where, how and why each emergency measure should be taken to restore the system.

S08 In 2011 Cemig was issued 5 notices of infractions by **PR9** ANEEL. These notices result in fines related mainly to non-compliance with performance indicators. These fines

totalled R\$ 18.4 million. However, these funds are not paid automatically by Cemig, which has specific internal processes for appealing in the Company's name against notices of infraction issued by Regulatory Agencies. Thus, as the name of these measures implies, there is often a significant reduction in the initial fines levied.

Monitoring is conducted by means of the Índice de Redução de Multas Regulatórias – IRMR (Regulatory Fine Reduction Index), which has annual goals for reducing the fines levied. Historically, fines have effectively been reduced by 27.4% in 2007, 60.8% in 2008, 41.8% in 2009, 46% in 2010 and 21.7% in 2011. The goal for 2012 is 57%.



TRANSMISSION LINES – IRAPÉ

TARIFFS

Cemig Distribuição

As it operates in a regulated market, Cemig Distribuição S.A. (Cemig D) has its tariffs regulated and monitored by the ANEEL. In addition to the definition of the tariffs, the Agency also determines the costs associated with each type of consumer, and these costs are utilized to calculate the different tariffs for the different voltages consumed.

During this process of establishing the tariffs, Cemig D works in defense of the Company together with ANEEL in order to recognize the costs and investments necessary in order to render quality services with ample availability.

The revenues to be collected through the tariffs contemplate two types of costs: manageable and non-manageable costs. The manageable costs correspond to the operational costs of distribution, remuneration and the invested capital reintegration rate. The non-manageable costs are those costs that the distribution company only transfers to other agents in the sector, such as energy purchases and transportation (transmission) and sector charges.

Other factors that also have a direct bearing on the calculation of the tariff are the size of the distribution company and the average consumption by its clients. Cemig has a large concession area (578,400 km²) and the longest network in South America (over 460,000 km), which is a result of the large size of the State of Minas Gerais. This translates into a need for an increase in the volume of investments and high operation and maintenance costs for the distribution lines and networks. In addition, the average monthly consumption of Cemig's residential clients is very low at around 115 kWh.

The tariff is also used as a social and economic incentive instrument, since some consumer classes benefit from subsidies and thus pay an energy tariff that is below cost. This is the case with low income consumers. For low income residential consumers with consumption of up to 30 kWh per month, the benefit results in a discount of approximately 65%; for consumption between 31 kWh and

100 kWh the discount is 40%; for monthly consumption of between 101 kWh and 220 kWh the discount is 10%; above 220 kWh of consumption there is no discount. In addition to the low income segment, the following consumers also benefit from discounted tariffs: rural consumers, those that use energy for irrigation; water, sewage and sanitation companies and free consumers that purchase energy through incentive programs.

Cemig D had more than two million consumers classified as low income residential in 2010 that benefitted from the subsidized tariff for this class, which results in a higher tariff for the other low voltage consumers. The criteria for classification as low income residential were altered in 2011 and now basically only those families that are registered with a government social program remain. Therefore, the number of consumers in this subclass fell drastically over the course of 2011, but the specific definition of low income is still imprecise, as there is still a significant possibility that consumers who lose their benefits yet file an appeal with the distributor.

The concession contracts include three modalities of tariff adjustment:

Ordinary Tariff Adjustment

This occurs every five years, when the economic-financial balance of the utility company is investigated. During this process, the manageable costs are recalculated using the methodology determined by the regulatory authority. Since the signing of the concession contract, Cemig has undergone two revisions with the next one scheduled for 2013.

Extraordinary Tariff Revision

There is no scheduled periodicity for this revision, as its purpose is to rectify serious economic-financial imbalances at any time. An example of this type of revision is the one undertaken during the period of energy rationing in 2001.

Annual Tariff Readjustment

This is done every year (April) except in those years when there is a tariff revision. The purpose of this process is to transfer in whole the non-manageable costs and to monetarily correct the manageable costs, which were established in the tariff revision. The

non-manageable cost readjustment index is the IGPM (General Index of Market Prices), but an "X" factor is deducted from this to capture productivity, in accordance with the logic of the price cap regulatory model.

In April of 2011 a readjustment of 6.61% was authorized for residential consumers and for the other medium and high voltage consumers the readjustment was 9.02%. Generally speaking, the average impact for all consumer classes was 7.24%.

The factors that most heavily impacted the readjustment this year were increases in the Reserva Global de Reversão – RGR (Global Reversion Reserve) tax, which is utilized by the federal government to subsidize the expansion of the Brazilian electric sector and which was increased by 104%, and in the Fuel Consumption Account (CCC), which is a subsidy for thermal generation in isolated systems in the Northern Region of the Country, which rose by 15%. These two charges alone had an impact of 15% on the final cost of the energy bill paid by Cemig's 7 million consumers.

In accordance with the Federal Constitution, Cemig is obligated to collect taxes directly on the consumers' bills and transfer these funds to the competent authorities. The PIS/PASEP (Social Integration Program/Public Servant Asset Development Program) and COFINS (Contribution to Finance Social Security) taxes are examples of the contributions charged directly on the bill and are directed towards maintaining the federal government's social programs, along with those aimed at workers.

The ICMS (Tax on the Circulation of Goods and Services) is a state tax and is levied directly on the consumers' bills and transferred wholly to the state government. In the case of Minas Gerais state, residential consumers with consumption below 90 kWh/month, of whom there are roughly 2.8 million, are exempt from this tax.

The Contribution towards the Cost of the Public Lighting Service (CIP) is also collected, as defined by the municipal authorities. Cemig only collects this public lighting tax and transfers it to the municipality. The payment of this tax by consumers attributes to the municipal governments responsibility for the services of planning, installing, expanding, operating and maintaining the public lighting facilities and equipment.

Cemig Geração e Transmissão

Cemig GT's transmission revenue consists of the sum of revenues from all transmission assets. As such, the Concession Agreements laid down the Receita Anual Permitida – RAP (Allowed Annual Revenue) from the existing system assets that makes up the initial revenue responsible for the utility's economic and financial equilibrium. Thereafter, any enhancements and adjustments carried out that are specifically authorized by ANEEL constitute a new portion of RAP.

As it operates in a regulated market, the revenue from Cemig GT's transmission assets is established by ANEEL, and is updated by periodic revisions or annual readjustments. Similar to what happens in the distribution, the company operates alongside the regulatory body in an attempt to acknowledge the transmission company's costs in both the revision and adjustment processes, regarding the new RAP homologation processes.

Since the concession agreement was signed, the transmission company has gone through two tariff revisions with the third revision scheduled for 2013. ANEEL has not yet provided the methodology to be applied in this coming cycle, but should do so in 2012.

In July 2011, ANEEL ratified the RAPs that shall prevail in the 2011/2012 period, bearing in mind that the regulatory year for transmission companies runs from July of each year until June of the following year. The

revenues published are the result of the readjustment in line with the Brazilian Índice Geral de Preços de Mercado – IGP-M (Market Price Index), plus revenue from new projects and the adjustment portion from the previous period. The total variance in the RAP was 6.4%, amounting to R\$ 454 million in Annual Revenue for the aforementioned cycle.

RESULTS ANALYSIS AND DISTRIBUTION

The results presented below are based on the new accounting norms, within the process of harmonizing Brazilian accounting norms with international norms (IFRS).

The impacts resulting from the adoption of the new Brazilian accounting norms and the IFRS, which main feature is the exclusion of regulated assets and liabilities, are detailed in explanatory note No. 2 in the Company's financial statements.

Fiscal Year Results

In the 2011 fiscal year, Cemig recorded the largest net profit in its history, R\$ 2.415 billion, in comparison with a net profit of R\$ 2.258 billion in 2010, for an increase of 6.95%, and a cash flow, measured in terms of the EBITDA, of R\$ 5.4 billion.

Operational Revenue

The breakdown of operational revenues is as follows:

OPERATIONAL REVENUE			
R\$ million	2010	2011	Var%
Gross electric energy supply	14,821	16,841	13.63
Electric distribution system usage revenues	1,658	1,974	19.06
Transmission network usage revenues	1,197	1,473	23.06
Construction revenues	1,342	1,533	14.23
Other operational revenues	924	990	7.14
Operational revenue deductions	(6,095)	(6,997)	14.80
Net operational revenues	13,847	15,814	14.21

Gross Electric Energy Supply

Revenues from the Gross Electric Energy Supply was R\$ 16.841 billion in 2011, in comparison with R\$ 14.821 billion in 2010, for an increase of 13.63%.

Final Consumers

Revenues from energy sold to final consumers, excluding own consumption, was R\$ 14.959 billion in 2010, compared with R\$ 13.219 billion in 2010,

representing growth of 13.16%. The main factors that impacted this result are listed below:

- 6.95% increase in the volume of energy billed to final consumers (excluding own consumption);
- tariff readjustments at Cemig D, with an average impact on consumer tariffs of 1.67% and 7.24% beginning on April 8th of 2010 and 2011, respectively;
- tariff readjustments at Light, with an average impact on consumer tariffs of 2.20% and 7.82% beginning on November 7th of 2010 and 2011, respectively;
- readjustments of contracts for energy sale to free consumers, which are indexed, mostly, to variations in the IGP-M (General Market Price Index).

The performance of the main consumer classes is described in the Management Report that is part of Cemig's 2011 standardized Financial Statements, in the item Gross Electric Energy Supply. The standardized Financial Statements can be accessed at the following address: <http://ri.cemig.com.br/ptb/s-20-ptb-2011.html>.

Supply Revenues

The quantity of energy sold to other utility companies increased by 1.78% to 14,457,890 MWh in 2011, in comparison with 14,204,530 MWh in 2010. There was also an increase of 7.24% in the average price of the energy sold, which rose from R\$ 101.72/MWh in 2010 to R\$ 109.08/MWh in 2011. Thus, there was an increase of 9.13% in Revenues from Supply to other utility companies, which rose from R\$ 1.445 billion in 2010 to R\$ 1.577 billion in 2011.

Receita de Uso dos Sistemas elétricos de Distribuição – TUSD (Electric Distribution System Usage Revenues)

TUSD at Cemig D and Light were R\$ 1.974 billion, compared with R\$ 1.658 billion, for an increase of 19.06%. These revenues resulted from charges billed to free consumers over the energy sold by other electric Sector Agents and an increase in these charges resulting from readjustments to the tariff and, more importantly, from the increased volume transported to free consumers as a result of the recovery of industrial activity and the migration of captive clients to the Free Market.

Transmission Network Usage Revenues

Transmission Network Usage Revenues rose by 23.06%, from R\$ 1.197 billion in 2010 to R\$ 1.473 billion in 2011.

For older concessions, network usage revenue refers to the tariff charged to electric sector agents, including free consumers connected to the high voltage network, for the utilization of the basic transmission network, which is owned by the Company, associated with the Sistema Interligado Brasileiro – SIN (Brazilian Interconnected System), deducting the amounts received, which are utilized in the amortization of financial assets.

For new concessions, network usage revenue also includes the parcel received by the electric sector agents related to the operation and maintenance of the transmission lines as well as the adjusted present value of the constituted financial transmission asset, in its majority, during the construction period for transmission enterprises. The rates utilized to update the asset correspond to the capital remuneration applied to the enterprises, varying in accordance



with the enterprise model and the investor's capital costs.

The increase in these revenues in 2011 resulted mainly from the monetary updating of Taesa transmission assets, with a resulting impact on Cemig's results of

R\$ 178 million. This update was the result of the announcement of Taesa's tariff update index beginning in July of 2011, which was set at 9.77%.

Other Operational Revenues

The Company's other operational revenues are as follows:

OTHER REVENUES			
R\$ million	Consolidated IFRS		
	2010	2011	Var%
Natural gas supply	398	579	45.48
Chargeable services	16	14	-12.50
Telecommunications services	131	158	20.61
Services rendered	179	105	-41.34
Rents and leases	60	77	28.33
Others	140	57	-59.29
	924	990	7.14

Taxes and Charges Levied on Revenues

Taxes levied over operational revenues were R\$ 6.997 billion in 2011, compared with R\$ 6.095 billion in 2010, for an increase of 14.8%. The main changes in Revenue deductions were the Fuel Consumption Account (CCC) and the Energy Development Account (CDE). See a breakdown of the taxes levied over revenues in the explanatory note No. 24 of the consolidated financial statements.

Operational Costs and Expenses (excluding Financial Results)

Operational Costs and Expenditures, excluding the Financial Results, were R\$ 11.401 billion in 2011, up 11.77% from the R\$ 10.200 billion recorded in 2010. The main changes in the Expenditures are described in the Management Report and in explanatory note No. 25 of the Consolidated Financial Statements.

Employee and Management Profit Sharing

Expenditures related to Employee and Management Profit Sharing were R\$ 221 million in 2011, compared with R\$ 325 million in 2010, for a reduction of 32%. These figures are the result of a specific collective bargaining agreement signed with the union entities in November of 2010 and 2011 and it should be noted that the figures for 2010 include an additional amount of R\$ 30 million as a result of the 2009 Collective Bargaining Agreement.

Net Profit and Earnings Before Interests, Taxes, Depreciation and Amortization - EBITDA

The increase in the EBITDA in 2011, in comparison with the same period in 2010, is due to the 14.21% increase in revenues in relation to the 12.40% increase in operational costs and expenditures, not including depreciation.

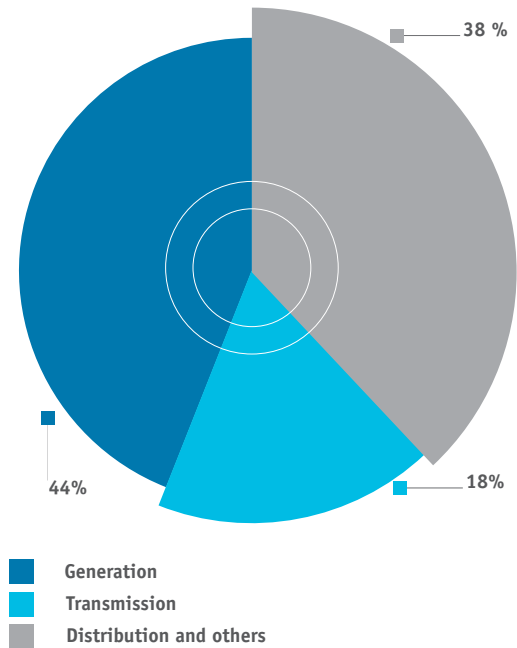
EBITDA			
EBITDA - R\$ million	2010	2011	Var%
Net Profit	2,258	2,415	6.95
+ Provision for Income Tax and Social Contributions	564	941	66.84
+ Financial results	825	1,056	28.00
+ Amortization and depreciation	896	939	4.80
= EBITDA	4,543	5,351	17.79
Non recurring items			
+ legal settlement with industrial client	178	-	-
+ Low income consumer tax	26	-	-
= ADJUSTED EBITDA	4,747	5,351	12.72

The main non-recurring effects that have impacted the EBITDA are as follows:

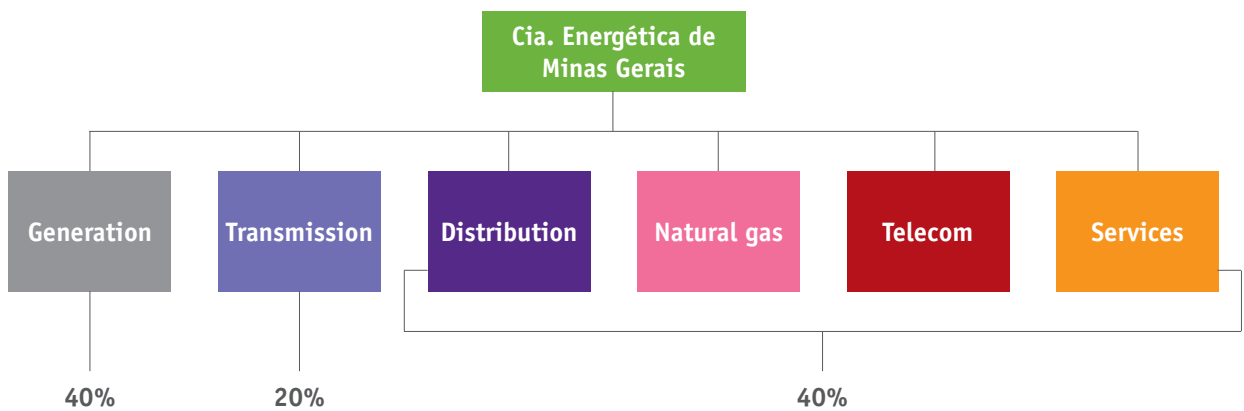
- Recognition by Cemig D, in 2010, of an Expenditure item amounting to R\$ 178 million, evolving from settlement agreed upon with respect to the Law suit filed by an industrial consumer for a refund concerning a tariff increase, which was implemented by Departamento Nacional de Águas e Energia elétrica - DNAEE (National Water and Electric Energy Department) during the Cruzado Plan;
- Recognition of ICMS tax Expenditure item in 2010, evolving from the subvention of discounts in the Low Income Consumer tariff, amounting to R\$ 26 million due to participation in the Amnesty Program, implemented by the Minas Gerais State Government.

The graphs below show Cemig's diversified portfolio, and the long term goals by businesses:

EBITDA PER BUSINESSES IN 2011



EBITDA STRUCTURE GOAL BY BUSINESS IN THE LONG TERM



Net Financial Results

In 2011 Cemig recorded Net Financial Expenditures of R\$ 1.056 billion, compared with Net Financial Expenditures of R\$ 825 million in 2010. The main factors that impacted the Financial Results are described in Cemig's 2011 Consolidated Financial Statements in explanatory note No. 26.

Liquidity and Capital Resources

Cemig's business is capital intensive. Historically, the company needs capital to finance the construction of new generation facilities and to expand and

modernize its current generation, transmission and distribution facilities.

Liquidity requirements are also affected by the dividends policy. Cemig finances its liquidity and need for capital mainly through the capital generated by its operations and, on a smaller scale, with funds from financing transactions.

Regarding to capital administration, the Company's debt for the adjusted capital ratio at the end of the fiscal year is presented below:

R\$ thousand	12/31/10	12/31/11
Total liabilities	22,079,701	25,612,798
(-) Cash and cash equivalents	(2,979,693)	(2,862,490)
(-) Bonds and securities	(321,858)	(358,987)
Net Debt	18,778,150	22,391,321
Total net assets	11,476,133	11,744,948
(-) accumulated net asset values related to hedged cash flow	772	(5,354)
Adjusted capital	11,476,905	11,739,594
Net debt / adjusted capital ratio	1.66	1.91

More information on Liquidity Risk is also available in Explanatory Note No. 28 – Financial Instruments and Risk Management – in the Consolidated Accounting Statements.

Cash and Cash Equivalents

Cash and Cash Equivalents on December 31st, 2011 totaled R\$ 2.862 billion in comparison with R\$ 2.980 billion on December 31st, 2010. On December 31st, 2011, neither the cash, nor the cash equivalents were expressed in any currencies other than the Real.

Cash Flow from Operational Activities

The net cash generated by operational activities in 2011 and 2010 totaled R\$ 3.898 billion and R\$ 3.376 billion, respectively. The increase in cash generated by operational activities in 2011 in comparison with 2010 was mainly due to the greater results in 2011 in comparison with the 2010 results, adjusted by the items that do not affect the cash.

Cash Flow from Investment Activities

The net cash used in investment activities in 2011 and 2010 totaled, respectively, R\$ 4.017 billion and R\$ 4.444 billion. The reduction in the investment activity values in 2011, as opposed to 2010, was mainly due to the larger amount of investments made in energy transmission assets in the previous year, whereas in 2011 expenditures were mainly concentrated in distribution activities. Moreover, the acquisition of assets in the Abengoa Transmission Group should also be mentioned.

Cash Flow from Financing Activities

Cemig is making an effort to extend debt maturities through long term financing vehicles at lower interest rates, with respective maturity periods and

obligations that are in line with the Company's business nature, that is, capital intensive. Cemig makes an effort to balance financing ratios between long and short term and tries not to increase its exposure to short term rates, so as to not be subject to any type of liquidity pressure. Further details on the Company's financing policy can be seen in the following item in this report, Financing Policy and Debt Management.

Cash flow from financing activities in 2011 totaled R\$ 1.3 million, whereas cash output originated in the amortization of R\$ 2.218 billion of debt in both Reais and in foreign currencies, along with the payment of R\$ 2.036 billion of dividends and interest on own capital, which was almost fully compensated for by new financing in the amount of R\$ 4.255 billion.

The cash flow utilized in financing activities in 2010 totaled R\$ 377 million, whereas the capital raised amounted R\$ 6.227 billion, while the amortization of loans and financing and payment of interest on own capital amounted to R\$ 4.775 billion and R\$ 1.829 billion, respectively.

Dividends

Under its bylaws, Cemig undertakes to pay out a minimum dividend of 50% of the net profit for the preceding period. Moreover, extraordinary dividends will be paid every two years or at shorter intervals, cash on hand permitting.

Dividends are paid in 2 equal lots, by June 30th and by December 31st of the following year. Preferred stock takes precedence in the event shares are refunded and is entitled to a minimum annual dividend equal to either of the following values:

10% of their nominal value or 3% of stockholders' equity per share, whichever is greater. After this payment, common and preferred shares have the same rights with respect to the remaining dividends.

Extraordinary Dividends

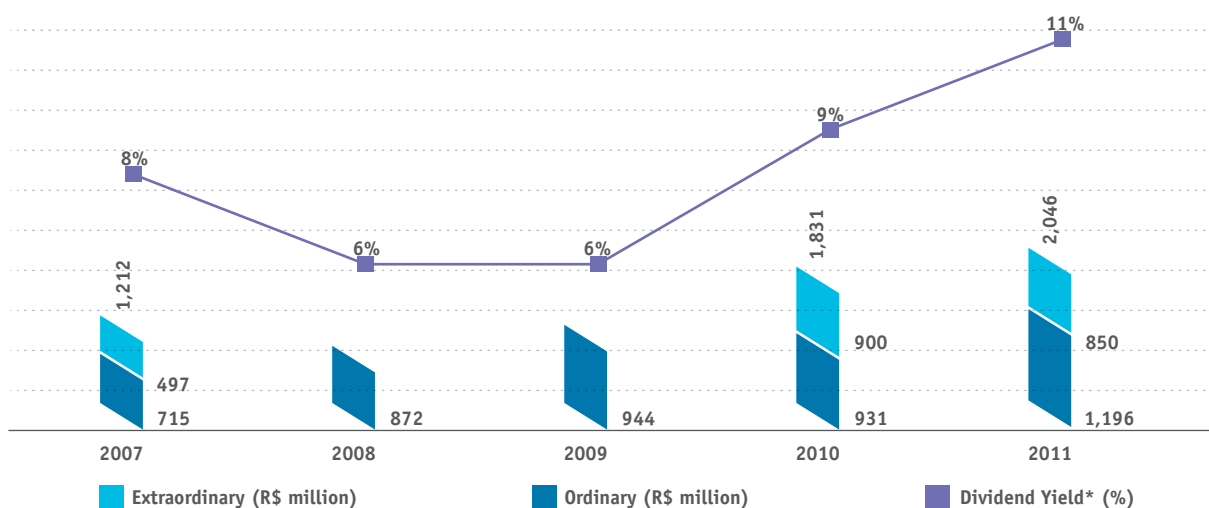
The following extraordinary dividend payments were made by the Company in 2011 and 2010:

- Cemig's Board of Directors, at a meeting held on December 16th 2010, decided to declare extraordinary dividends in the amount of R\$ 900 million, representing R\$ 1.32 per share, utilizing the statutory profit reserves for this purpose. The payment of these dividends was made on December 29th, 2010.

- Cemig's Board of Directors, at a meeting held on December 15th 2011, decided to declare extraordinary dividends in the amount of R\$ 850 million, representing R\$ 1.25 per share, utilizing the statutory profit reserves for this purpose. The payment of these dividends was made on December 28th, 2011.

The dividends paid in 2011 (related to the 2010 fiscal year) totaled R\$ 2.046 billion, with R\$ 850 million corresponding to extraordinary dividends, with a return of 11% and payout of 91%. This profitability along with a strong dividends policy results in significant gains for Cemig shareholders, as can be seen in the graphs below.

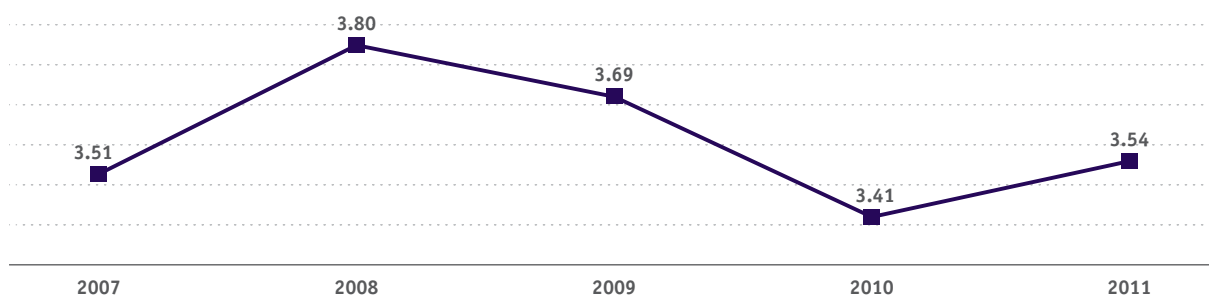
DIVIDENDS



* Return of dividends profitability of preferred shares at closing quotation in December 31st.

EARNINGS PER SHARE

(R\$)



Profit Destination Proposal

The Board of Directors shall propose at the Ordinary Shareholders Meeting to be held in April of 2012 that to the net profit from the fiscal year, in the amount of R\$ 2.415 billion, be given the following destination:

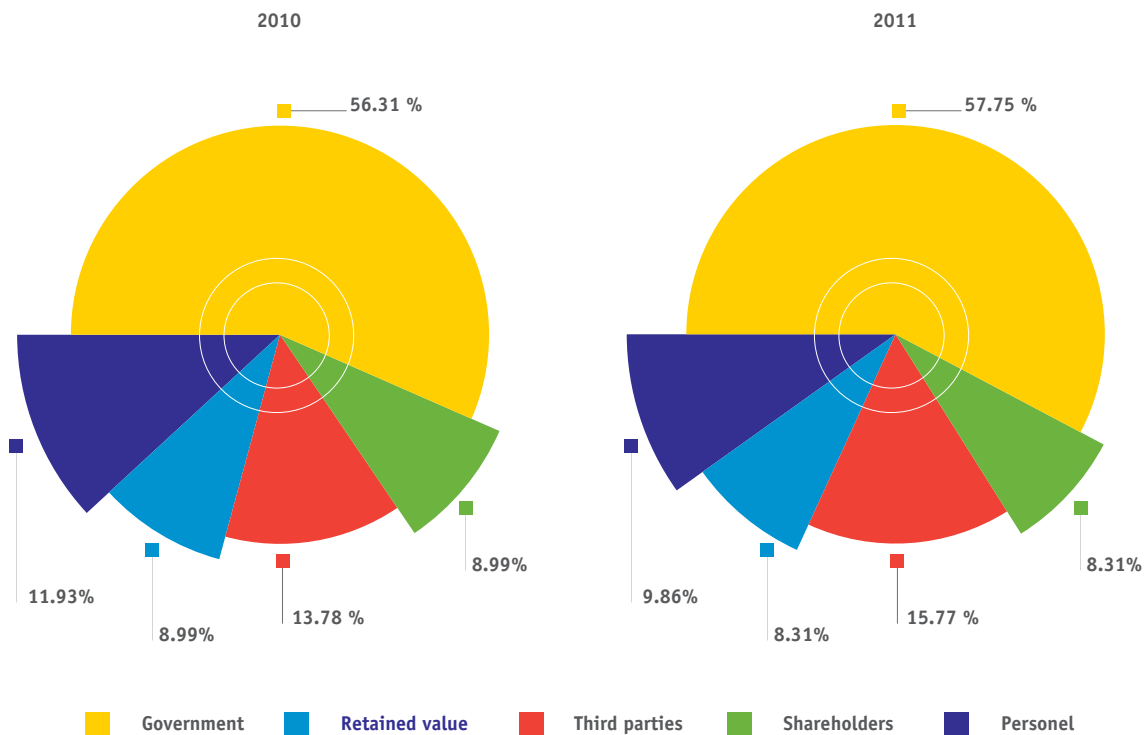
- R\$ 1.294 billion (53.58% of net profit) - dividend payment
- R\$ 109 million - Legal Reserve

- R\$ 1.012 billion - retained in Net Assets

Distribution of Value Added

The Value Added Statement shows the importance of ^{EC1} the Company to society, through the lens of wealth creation. In 2011, Cemig recorded value added of R\$ 14.531 billion, in comparison with R\$ 12.562 billion in 2010.

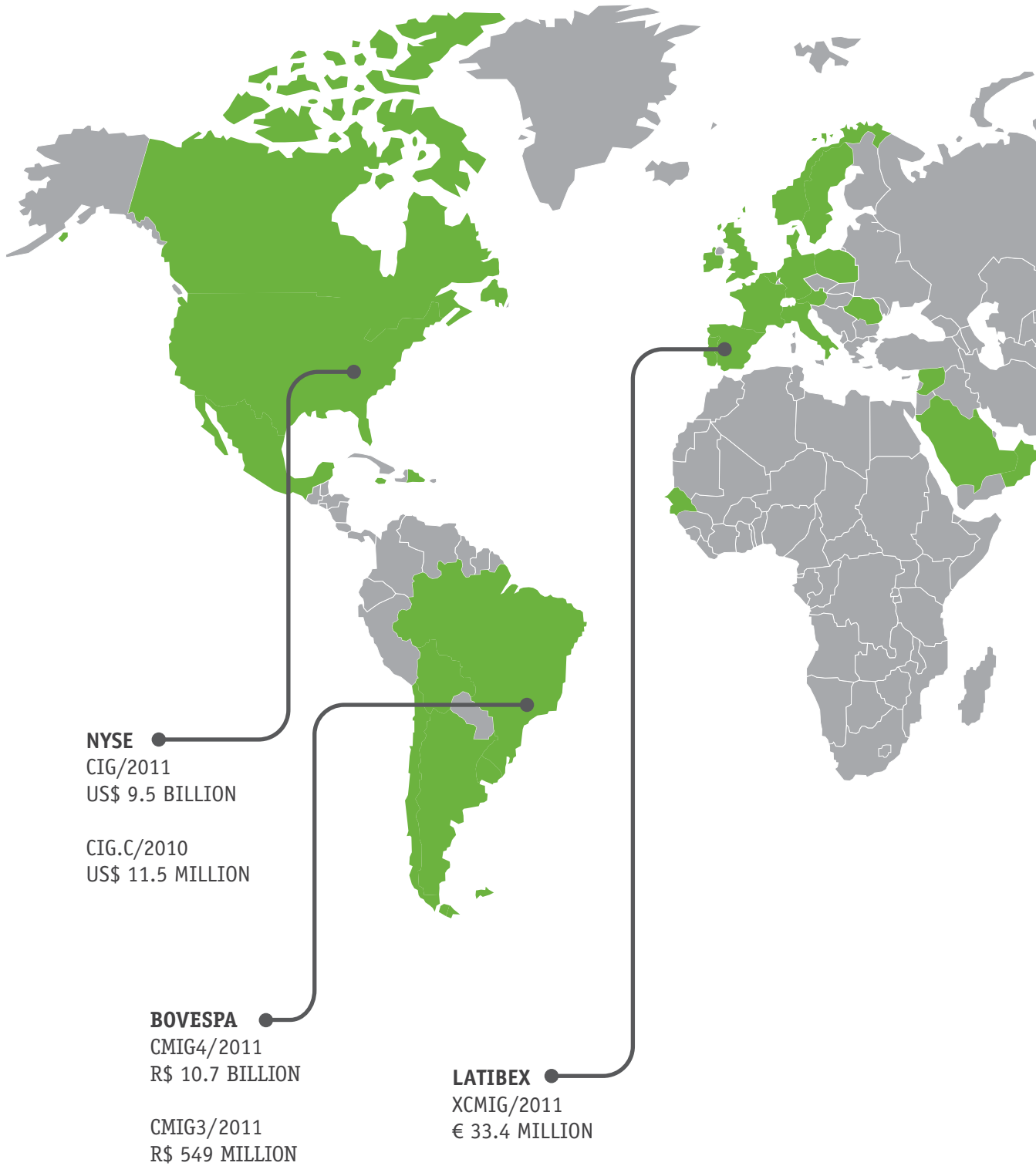
DISTRIBUTION OF ADDED VALUE



CEMIG ELECTRICIAN

CAPITAL MARKETS

Cemig has about 115 thousand shareholders spread over 44 countries as shown in the chart below:



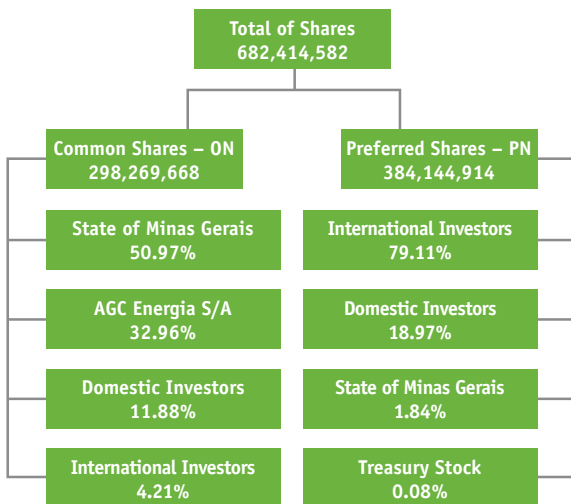
CEMIG SHAREHOLDERS – 44 COUNTRIES

NORTH AMERICA Canada USA México	SOUTH AMERICA Argentina Bolivia Brazil Chile Uruguay	CENTRAL AMERICA Bermuda The Bahamas Cayman Islands Turks and Caicos Islands Virgin Islands	EUROPE Luxembourg The United Kingdom Spain Switzerland Ireland Guernsey Jersey The Netherlands France	Norway Denmark Italy Sweden Germany Belgium Austria Portugal Poland Romania	MIDDLE EAST Saudia Arabia United Arab Emirates Kuwait Oman Syria	ASIA Brunei Singapore South Korea Japan Malaysia Taiwan	OCEANIA Australia
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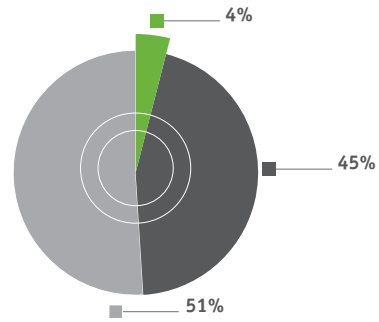


Ownership Structure – Dec/2011

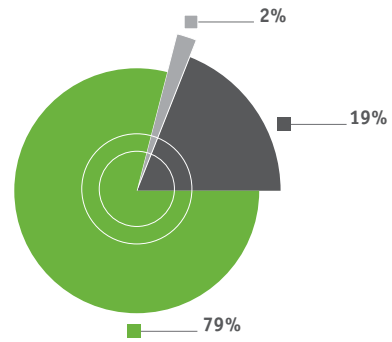
On December 31st, 2011, Cemig's shareholders' equity amounted to R\$ 3.412 billion. Its capital structure is shown in the table below:



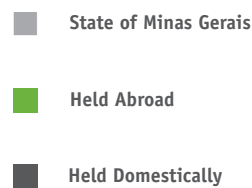
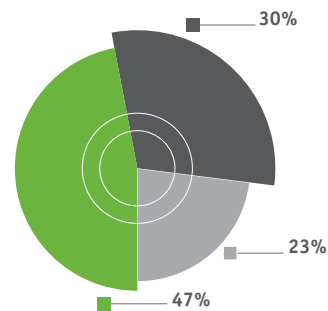
Common Shares



Preferred Shares



Total of Shares



Cemig's Share Rights

Common Shares (R\$ 5.00 nominal value);

- Tag along right to 80% of the value paid per share held by the controlling shareholder.
- Elect 13 members of the Board of Directors and 4 members of the Audit Board.
- In fiscal years in which the Company does make sufficient profits to allow for the payment of dividends to its shareholders, the State of Minas Gerais shall ensure for the Company's capital shares issued up until August 5th, 2004, privately held, a minimum dividend of 6% (six per cent) per year, under the terms of article 9 of State Law No. 828, of December 14th, 1951, and of State Law No. 15,290, of August 4th, 2004.

Preferred Shares (nominal value of R\$ 5.00)

- Do not have tag along rights.
- Elect one member of the Board of Directors.
- Elect one member of the Audit Board.
- Are given preference under the hypothesis of a share buyback.
- Receive a minimum annual dividend equal to or greater than the values listed below:
 - 10% calculated over the nominal value.
 - 3% of book value of shares.
- In fiscal years in which the Company does make sufficient profits to allow for the payment of dividends to its shareholders, the State of Minas Gerais shall ensure for the Company's capital

shares issued up until August 5th, 2004, privately held, a minimum dividend of 6% (six per cent) per year, under the terms of article 9 of State Law No. 828, of December 14th, 1951, and of State Law No. 15,290, of August 04th, 2004.

Cemig's Share Performance

In 2011, R\$ 10.7 billion worth of the preferred shares (CMIG4), were traded, a daily average of almost R\$ 48 million. Based on this volume, CMIG4 shares are the most liquid in the electrical sector and some of the most actively traded on the BM&FBovespa S.A., thus providing security to investors.

The average daily value of the preferred shares traded on the New York Stock Exchange (NYSE) is on a par with the volume traded on the Brazilian market, proving that Cemig is seen as a global investment option.

The steep fall in 2011 of the Ibovespa, the BM&FBovespa index, was mainly brought about by economic instability and the uncertainties caused by European countries and fell short of market expectations for the year and closed well down year on year.

On the other hand, Cemig's shares performed better than the Ibovespa. Its common shares, CMIG3 and its preferred shares rose 48.62% and 37.23%, respectively. In 2011, the total return for CMIG3 and CMIG4 shareholders was 14% and 11% respectively.

NYSE 2011



Besides being included in the Ibovespa, the Company also stands out in the Índice de Carbono Eficiente – ICO2 (Efficient Carbon Index), the Índice de Sustentabilidade Empresarial - ISE (Corporate Sustainability Index), the Índice de Energia Elétrica – IEE (Electric Energy Index), the Índice de Ações com Governança Corporativa

Diferenciada – IGC (Differentiated Corporate Governance Shares Index), the IBrx-50 index and the Brazil 50 Index, among others. Along with the Brazilian Stock Exchange Indexes, Cemig is present in the New York Stock Exchange’s Dow Jones Sustainability World Index and the FTSE Latibex Brazil on the Madrid Stock Exchange.

PERFORMANCE 2011

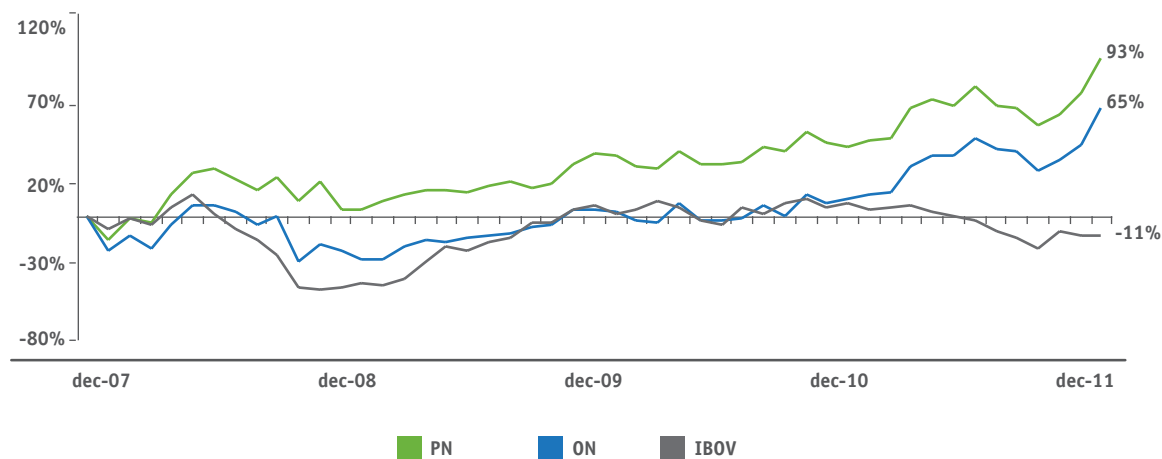
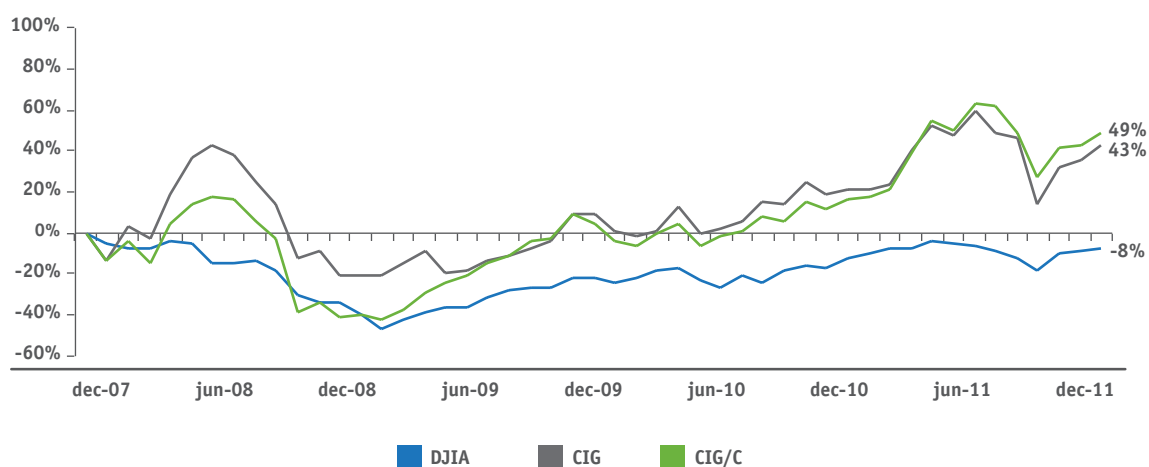
	CMIG4	CMIG3	CIG	CIG.C	IBOV	DJIA	IEE
2011	37.23%	48.62%	17.60%	27.46%	-18.11%	5.53%	19.72%

CLOSING QUOTATIONS IN SÃO PAULO (BOVESPA), NEW YORK (NYSE) AND MADRID (LATIBEX) STOCK EXCHANGES

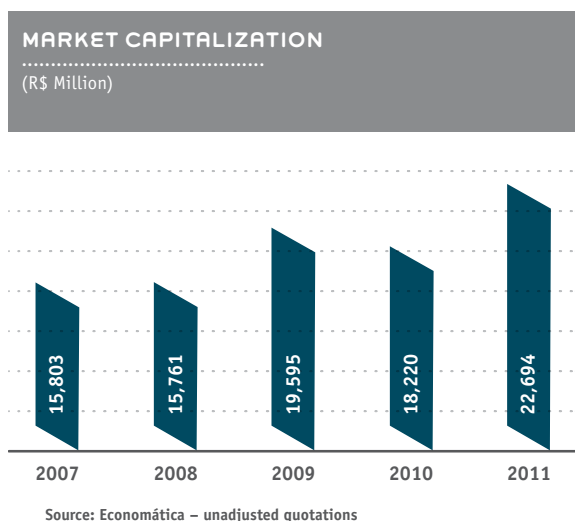
Name	Tickers	Currency	Closing 2010	Closing 2011
Cemig PN	CMIG4	R\$	24.24	33.27
Cemig ON	CMIG3	R\$	18.36	27.30
ADR PN	CIG	US\$	15.13	17.79
ADR ON	CIG.C	US\$	11.07	14.11
Cemig PN (Latibex)	XCMIG	Euro	12.30	13.74

Source – Economática – quotations adjusted for earnings, including dividends

EVOLUTION OF CEMIG SHARES COMPARED WITH OTHER INDICATORS



In 2011 Cemig recorded robust growth in comparison with 2010, which demonstrates the company's ongoing quest for added value and sustainable growth. Market value is represented by the sum of the Company's shares on the last trading day of each year. Analysis shows that Cemig's market value has grown nearly 45% in the past 5 years.



INVESTOR RELATIONS

In accordance with the best corporate governance practices, Cemig's Investor Relations area – IR continues to seek different ways to get closer to shareholders, capital market analysts and Brazilian and foreign investors, including private individuals, which shows its commitment to enhancing strategic relationships with different sectors of the public.

On the Investor Relations website (<http://ri.cemig.com.br/?idioma=enu>), in Portuguese, English and Spanish, visitors can access information on the activities undertaken and complete, in-depth

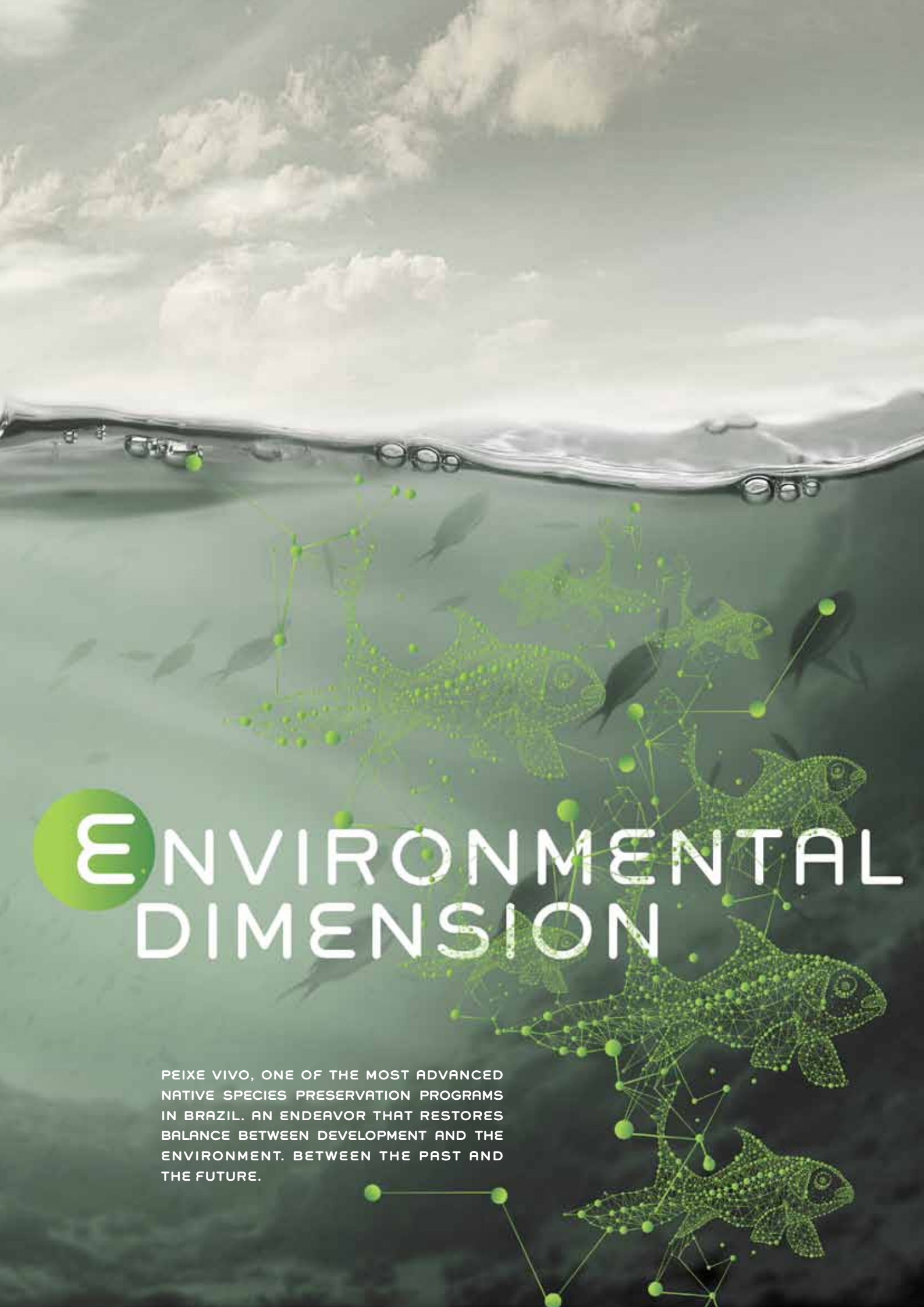
information on the Company, such as presentations, earnings releases and the IR area's agenda, including:

- Meetings with capital market professionals and analysts at Apimec – the Capital Market Investment Professionals and Analysts Associations at the Belo Horizonte, São Paulo, Rio de Janeiro, Porto Alegre, Florianopolis, Brasilia and Fortaleza offices.
- Meetings with Brazilian and foreign analysts and investors at conferences and non-deal road shows.
- Disclosures of quarterly and annual results with presentations transmitted by video webcast and live teleconferences, with simultaneous translation into English.
- Participation in fairs in Brazil (Expo Money – São Paulo, Belo Horizonte, Salvador, Florianopolis and Porto Alegre) and abroad (Money show – Orlando and San Francisco in the US).
- XVI Annual Cemig-Apimec Meeting, where the Board, superintendents and managers from Cemig gathered in Belo Horizonte in June with Brazilian financial market analysts and professionals. The event included a technical visit to the Taquaril Substation.
- Cemig Day – On October 6th, Cemig took part in the traditional New York Stock Exchange (NYSE) Closing Bell ceremony, which marks the end of the trading day. In 2011, this ceremony commemorated the ten years since the official listing of Cemig's shares on the NYSE in the form of Level II ADRs (American Depositary Receipts).

It is also worth pointing out that, because of his efficient relationship with investors and timeliness in sending information to the Brazilian Securities Commission (CVM), Cemig's director for Finance and Investor Relations, Luiz Fernando Rolla, was voted the best investor relations professional for 2010 at the 38th edition of the Apimec Awards ceremony in 2011.







ENVIRONMENTAL DIMENSION

PEIXE VIVO, ONE OF THE MOST ADVANCED
NATIVE SPECIES PRESERVATION PROGRAMS
IN BRAZIL. AN ENDEAVOR THAT RESTORES
BALANCE BETWEEN DEVELOPMENT AND THE
ENVIRONMENT. BETWEEN THE PAST AND
THE FUTURE.

COMMITMENT TO THE ENVIRONMENT



To Cemig, offering quality energy to an increasingly changing world in a way that contributes to promote the environment is motivation for it to improve its management in a sustainable manner.

In its several businesses the Company has clear drivers that guide research, development and the application of solutions that share benefits with society and minimize the impacts of its activities and the need for new investments, adding values to its performance. Its environmental work is mainly based on its Environmental Policy, Biodiversity Policy and its Commitment to Climate Change.

Further details can be found at the following address: <http://www.cemig.com.br/sites/en/Sustainability/Pages/Sustainability.aspx>

Relationship with Society

To promote suitable interaction with its various publics, the Company's relationships are based on transparency and the encouragement of dialogue. To this end, it uses different communication channels and makes a point of dealing with each stakeholder according to their specific realities.

4.13

The main entities in which Cemig actively participates in the environmental theme are: the State Environmental Policy Council (COPAM); the Technical Infrastructure Chamber and the Technical Energy and Climate Change Chamber of Minas Gerais, the State Water Resources Council, the State of Minas Gerais Climate Change Forum and the Technical Energy and Climate Change Chamber (CTClima) of the Brazilian Corporate Council for Sustainable Development (CEBDS). The main practices of the company's relationship with the society are available on the company website: <http://www.cemig.com.br/sites/en/Sustainability/Programs/EnvironmentalPrograms/Pages/RelationshipWithSociety.aspx>

For further information see the "Consumers and Society – Communication Channels" table in the Social Dimension section of this report.

In 2011, we received 53,188 society's demands in terms of environmental issues, of which 76 % were dealt with within 15 days.

ENVIRONMENTAL MANAGEMENT

Environmental Management at Cemig means aligning into corporate practices with the Company's business strategy, since its work is geared towards applying it in an integrated manner in the company, with a view to minimizing environment risks, to comply with all laws and improve the flow and consistency of information. All corporate environmental procedures are provided on the company's intranet and implemented in all its units and complied with by everyone working at Cemig or rendering services on its behalf.

Environmental Management System

Cemig regards the Environmental Management System (SGA) as a functional tool capable of monitoring, controlling and documenting the environmental performance of its businesses comprehensively and in a planned way.

All areas that interfere with the environment, regardless of whether they have implemented the Environmental Management System based on ISO 14001, are obligated to meet the Minimum Environmental Compliance Requirements, which are the initial requirements of the Company's Environmental Management System. The Minimum Environmental Compliance Requirements are established in order to control and protect the environment. This includes an assessment of the impacts and action plans for the correction of identified issues. The audit of the "Minimum Environmental Compliance Requirements" is conducted once a year through a sampling and the results are sent to the management offices and executive offices responsible for the areas audited for critical analysis.

Furthermore, Cemig's areas can be certified in an Environmental Management System, in conformity with the ISO 14001:2004 Norm, or embrace an in-house

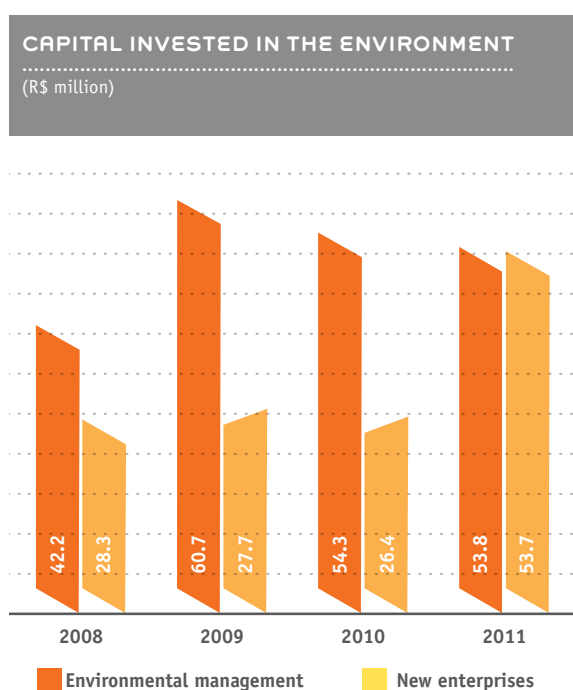
Management System called SGA Level 1, developed based on some principles and requirements of the ISO 14001 Norm. Both systems are audited by a third party and by Cemig's own staff.

All of Cemig's power plants with an installed capacity of over 30MW and 100% of transmission lines over 230kV are certified with an Environmental Management System. The SGA coverage at Cemig is presented in the table below.

ENVIRONMENTAL MANAGEMENT SYSTEM COVERAGE AT CEMIG (%)			
Activity	ISO 14001	SGA Level 1	Minimum Requirements
Generation	48%	41%	100%
Transmission	20%	80%	100%
Distribution	8%	15%	100%

Invested Capital

EN30 The investment of capital in the environment at Cemig is designed to maximize its operating efficiency through measures aimed at preventing, mitigating, offsetting and controlling the environmental impacts and risks of its businesses and boost the positive effects. These investments are reviewed periodically by the Socioenvironmental Compliance Program Monitoring Committee*, which is made up of representatives from all the executive board. As can be seen in the figure below, resources invested in the environment are split into Environmental Management and New Enterprises.



As such, overall Cemig invested R\$ 107.5 million in the environment, with R\$ 53.7 million being invested in new enterprises and R\$ 53.8 million in environmental management. The amounts invested in 2011 grew 33% in comparison with 2010, mainly as a result of expenditures on new enterprises reaching their final stages.

New Enterprises represented are the Santo Antonio HPP, the Paracambi and Pipoca SHPs, EBTE and Cia de Transmissão Centro-Oeste.

Of the total invested in environmental management, R\$ 467 million went to solid waste management and R\$ 53.4 million to environmental management, research and development. Of the investments in research and development, R\$ 3.07 million were from own resources and R\$ 2.5 million from the Cemig/Aneel program, representing a 42% increase over the preceding year.

Resources invested in consortia where Cemig takes part totaled R\$ 9 million and are not detailed as the investment of environmental resources realized at the Company.

Environmental Licensing

Cemig's generation, transmission and distribution projects operate in accordance with regulatory and supervisory bodies, bringing together studies and programs - environmental licensing instruments - which address the impacts of interfering with the environment, in accordance with the scope, relevance, reversibility and magnitude. Measures to mitigate, control or offset each negative impact are identified. For the positive ones actions are developed to boost them, to ensure that better environmental control and monitoring techniques are applied.

All the projects that were begun prior to February 1986 are in the process of obtaining the Corrective Operation License, of which 73% already have its licensing process concluded. Of these 11 are HPPs, 24 are SHPs, four are Regional Transmission Systems, seven are Regional Distribution Systems and a Thermoelectric Power Plant. Corrective Operational Licenses have already been obtained for the two HPPs, eight SHPs and one Thermoelectric Power Plant.

Regarding power distribution the company has seven grids comprising all its distribution lines and power substations, which are: the Central, Eastern, Triângulo

* For further information, please access: www.cemig.com.br/sites/en/sustainability/programs/pages/default.aspx

Region, Western, Mantiqueira, Northern and Southern grids. All of them have completed the Corrective Licensing procedure with the State Environment System of Minas Gerais – SISEMA.

Proceedings have been filed to renew the Operating Licenses of the Gafanhoto Small Hydroelectric Power Plant and the Miranda and Nova Ponte Hydropower Plants. The grant of the right to use water for hydroelectric purposes at the Rio de Pedras Small Hydroelectric Power Plant has been obtained. This requirement derives from SEMAD – IGAM Joint Resolution No. 936 of April 24, 2009, which prescribed technical and administrative procedures for issuing grants for the hydroelectric exploitation at the bodies of water in Minas Gerais. For projects located on rivers in the federal domain, the ANA Resolution No. 131/2003 waives the need to apply for a grant of the right to use water at the projects delivered till its date of publication.

Cemig has more than 200 valid grant certificates of water use (catchment of surface water or artesian well water). See a map where are localized the points where Cemig

have certificates of water use: <http://www.cemig.com.br/sites/en/Sustainability/WaterResources/Pages/MapOfWhereCEMIGHasGrantsForWaterUse.aspx>

In 2011 Cemig Distribuição obtained 38 DAIs, which are Environmental Intervention Authorization Documents from IEF – the State Forest Institute. Eight of them were for Substations and 17 for Distribution Lines. 12 for Distribution Lines and one for a Substation were renewed. Also was obtained a license certificate of a LP/LI (Process License / Installation License) process for the Araçuaí 2 – Itaobim 138 kV Distribution Line. DAIs were also obtained to clear the Distribution Line (DL) and Rural Distribution Networks (RDN) right of ways for all Regional Grids.

On September 15th, 2011, Ibama (Brazilian Institute for the Environment and Renewable Natural Resources) granted an Operational License to the Santo Antônio Hydro Power Plant, approving all the socioenvironmental measures that were identified in the Environmental Impact Study and were agreed to at the beginning of the project.

ENVIRONMENTAL STATION – PETI



ECOEFFICIENCY

It is worth noting that these measures were discussed with several different stakeholders. Altogether, R\$ 1.3 million were invested in sustainability-oriented projects, which included social and environmental compensation measures, resettlement of the affected population, socioenvironmental programs aimed at the conservation of flora and fauna, environmental education and public health, among others. For more details on the project, please access: <http://www.santoantonioenergia.com.br>

For more details on environmental licensing and Cemig's ongoing projects, access: <http://www.cemig.com.br/sites/en/Sustainability/Programs/EnvironmentalPrograms/Pages/EnvironmentalLicensing.aspx>

One of the most practical and tangible ways the productive sector can help the environment is rationally manage the use of natural resources in its businesses. Ecoefficiency at Cemig signals the gradual application of the sustainability concepts spread throughout the Company. Opportunities for indicator improvements are identified and steps to improve them implemented at each period.

In the table below Cemig's main ecoefficiency indicators are outlined and will be explained in the following items.

EN18



Global Compact
Principle 8

ECOEFFICIENCY				
Ecoefficiency Indicators	2008	2009	2010	2011
Solid Waste Adequated Final Destination (t)	15,806	13,846	7,355	15,031
Solid waste Recycling and Reuse (t)	15,076	13,345	7,101	14,799
Water consumption for administrative purposes (m ³)	849,911	782,023	897,932	1,439,686
Water consumption for cooling (m ³)	916,371	820,381	932,207	954,248
Power Consumption (GJ)	3,562,216	1,212,430	673,934	466,045
Atmospheric Emissions				
Scope 1 ⁽¹⁾ (tCo ₂ eq)	260,641	81,069	41,904	24,479
Scope 2 Electric Energy Consumption ⁽¹⁾ (t Co ₂ eq)	2,203	889	2,373	1,369
Scope 2 Losses (t Co ₂ eq)	280,236	137,931	291,087	166,820
SO ₂ (t)	1,382	480	354	406
NO _x (t)	422	69	56	87

(1) Definition of Scope 1, Scope 2 emissions, see Glossary

Materials

EN1

The main materials purchased by Cemig are used mainly in the electric energy distribution grid.

Quantity and quality management of all material is carried out by a area of the company certified in SGA Level 1.

Year	Distribution Transformers (Unit)	Concrete Poles (Unit)	Cables (m)	Cables (Kg)	Meters (Unit)	Public Lighting (Unit) Consisting of relay lamps, reactors and fixtures
2007	5,538	28,363	7,770,061	2,776,712	90,046	808,161
2008	4,252	21,181	6,259,928	1,627,698	117,867	795,581
2009	14,978	46,663	7,947,761	2,441,632	149,169	757,425
2010	9,623	38,509	8,568,304	1,546,142	383,645	2,124,812
2011	7,138	36,729	9,941,812	2,038,986	761,259	1,094,624

The increased purchase of cables and meters was due to compliance with the Distributor Development Plan, the aim of which is to modernize the Company's distribution networks, which the supply area met in full (see item Climate Change – Reducing GHG emission from electric energy losses).

Green IT

In 2011 Cemig accomplished both the procurement and the implementation processes for its corporate print service, thus affording greater quality to its printing resources. 1,883 outdated equipment such as printers, multifunction devices, scanners and fax machines

EN5

EN26

were all replaced with 613 new equipment which provided an energy consumption savings of 55%. Also, paper consumption was reduced by 38.25%, which represented savings of 10.7 million sheets of paper.

Waste

- **EN2** The Company's waste generating areas are
- **EN22** responsible for characterizing, separating, packing,
- **EN26** identifying, temporarily storing and transporting it to the distribution centers certified in SGA Level 1, where it is received, stored, graded and disposed of in accordance with environmental laws and in-house guidelines for the entire industrial waste management process.

In 2011 15,031⁷ tonnes of industrial waste were disposed of, of which 14,799 tonnes, or 98% was recycled, alienated or reclaimed while 232 tonnes were sent for co-processing or incineration. Regarding the preceding year, there was a 51% rise in the quantity of waste sent for final disposal, mainly due to the modernization of distribution networks (see item Climate Change – Reduction of GHG emission from electric energy losses).

There was a 7,698 tonne increase in alienated, reclaimed or recycled waste over the preceding period, which produced incomes of R\$ 7.2 million for

the Company. Among the main materials contributing to this increase are transformers, poles, meter scrap, metal scrap, cables and wires.

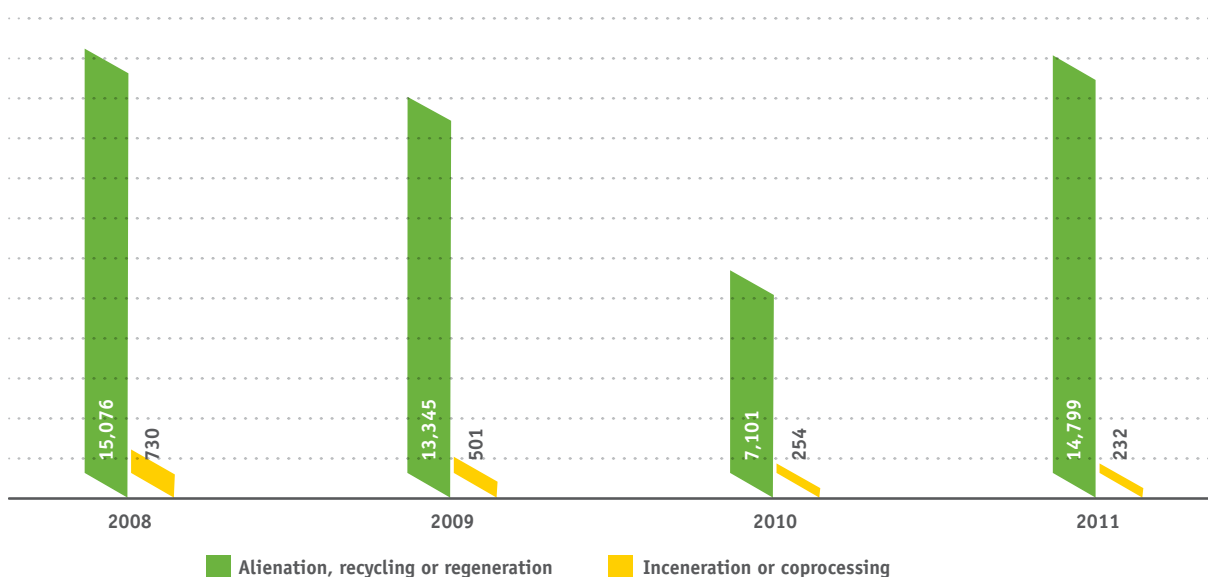
Waste considered hazardous, mainly insulating mineral oil, oil-impregnated waste and fluorescent lamps represented in 2011, 8% or 1,177 tonnes, of all the waste sent off for final disposal. Of the waste considered hazardous, some was reclaimed and reused by the company itself, such as, for example, 143 tonnes of insulating mineral oil removed from electrical equipment, while 610 tonnes of oily waste unfit for internal consumption were alienated.

Were co-processed 219 tonnes of oil impregnated waste (gloves, oakum and sawdust) and sent for decontamination and recycling 59 tonnes of burned fluorescent lamps from Cemig's entire concession area. Were recycled 4 tonnes of broken lamps. The remaining hazardous waste totaled 142 tonnes.

At Cemig, large-sized equipment containing askarel or PCBs with a date of manufacture prior to 1981 were all retired from the system and sent for incineration in 2001. Any equipment that is contaminated is identified, retired from operation and forwarded for incineration. In 2011, no equipment had to be sent for incineration due to contamination by askarel. **EN1**

FINAL DESTINATION OF WASTE^a

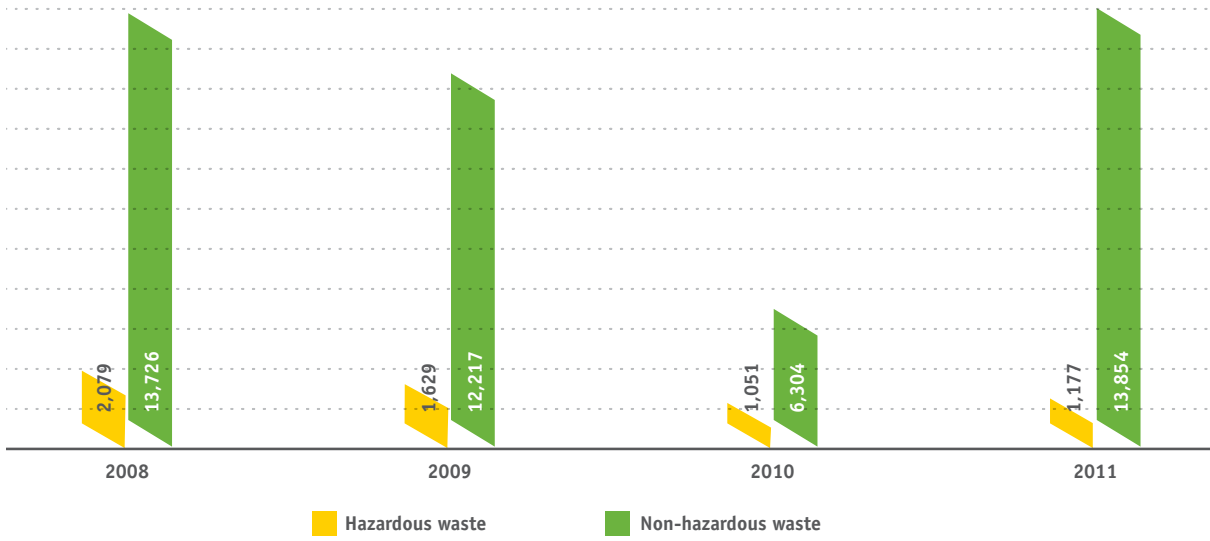
(t)



⁷ The values of poles and electricity transformers are controlled in the warehouses / stockyards per unit (per piece), and their weight was estimated in tonnes in 2008 and 2011. In 2011 they represented 69% of the total.

⁸ 2008 and 2010 figures were revised due to the current change in the methodology for calculating the weight of poles, which now makes it possible to make comparisons with the 2011 figures. In 2010 the total amount of poles alienated was 3790 tonnes, in contrast with an annual average of 8,800 tonnes/year.

HAZARDOUS AND NON-HAZARDOUS WASTE
(t)



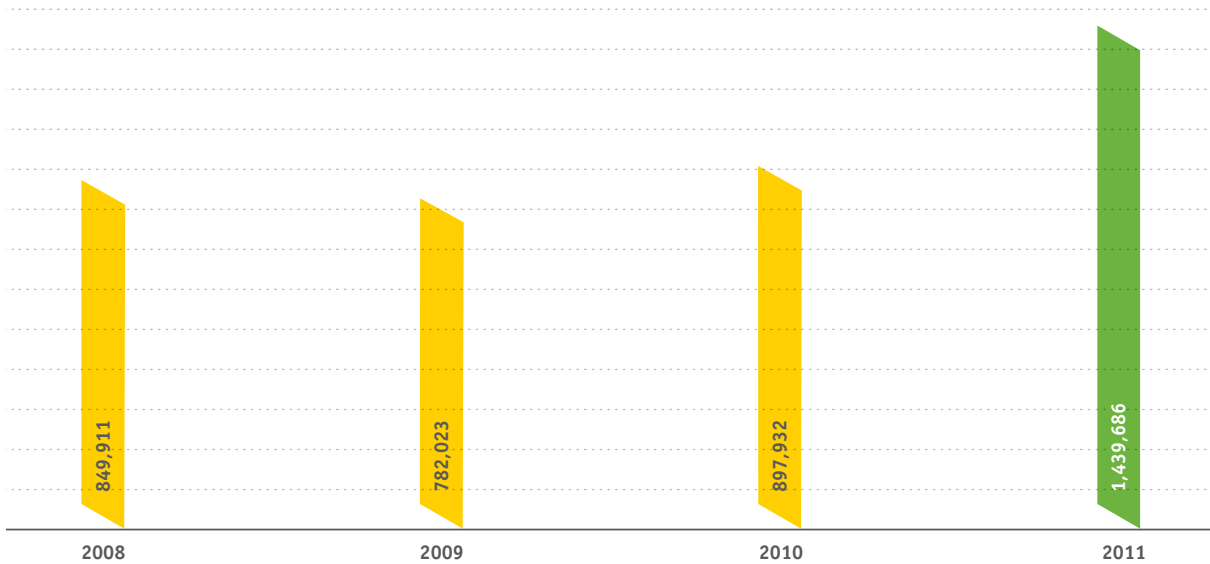
Water and Effluents

EN8 The water consumed at the Company is mostly
 EN9 (60%) used at the administrative units since none
 EN21 is consumed at the Hydroelectric Power Plants for
 production purposes. The remaining 40% is used
 industrially to cool thermal power plants. The

total consumption of water at the Company was
 2,393,934 m³.

Cemig's total consumption of water for administrative
 purposes was 1,439,686 m³, including public supply,
 surface catchment and artesian wells.

ADMINISTRATIVE WATER CONSUMPTION
(m³)



In 2011, Cemig sought to improve its control and metering
 of water consumption by gradually installing new flow
 meters at their administrative units, since 30% of its
 consumption of the administrative units was estimated.

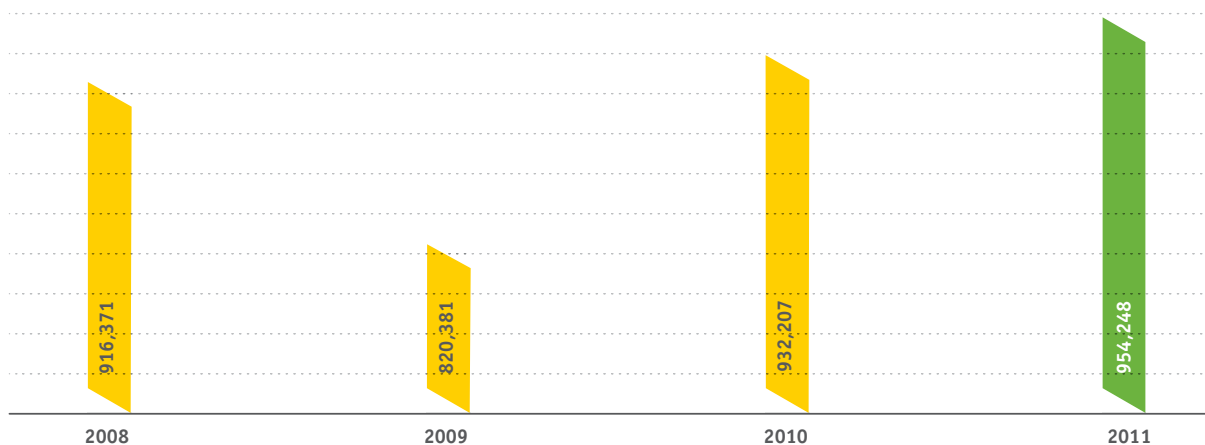
In 2011 these index was reduced to 15%. As a result there
 was a 60% increase in water consumption over 2010. It is
 hoped that the data for the coming periods will, over time,
 more clearly identify opportunities to reduce consumption.

EN21 The effluents produced at the administrative units are discharged into the public sewer system or disposed of in controlled septic tanks, and do not directly affect any water course. In 2011, 1,151,749⁹ m³ of sanitary effluents were produced.

Industrial water consumption used to cool the thermal power plants came to 954,248 m³, that is, 2% more than in 2010. The Company's thermal power plants do not produce effluents, since the water used is re-circulated during the production process. **EN8**

INDUSTRIAL WATER CONSUMPTION

(m³)



(1) Ipatinga Thermal Power Plant updated calculations of industrial consumption of water for the period 2008 to 2011.

Energy

EN3 The following sources are included in the calculation of **EN4** Cemig's power consumption: the electricity used at the administrative and industrial facilities, the consumption

EN7

EN26

EU11

of fuels by the fleet of land vehicles and aircraft, the consumption of diesel oil by Emergency Generators, power employed at the Igarapé Thermal Power Plant and the start-up of the Ipatinga and Barreiro Thermal Power Plants.

TOTAL ENERGY CONSUMPTION (GIGAJOULE - GJ)

	2008	2009	2010	2011
Electric Energy ⁽¹⁾	166,266	165,030	167,735	168,740
Fleet fuels and Emergency Generators ⁽²⁾	257,830	235,427	219,712	204,755 ⁽³⁾
Thermoelectric power plants fuels ⁽⁴⁾	3,138,120	811,973	286,487	92,550
Total	3,562,216	1,212,430	673,934	466,045

⁽¹⁾ Own consumption at the Company facilities and office.

⁽²⁾ Fleet fuels include gasoline, diesel oil, ethanol, NGV, LPG and aviation kerosene for Cemig's fleet. The Emergency Generators were included beginning in 2011.

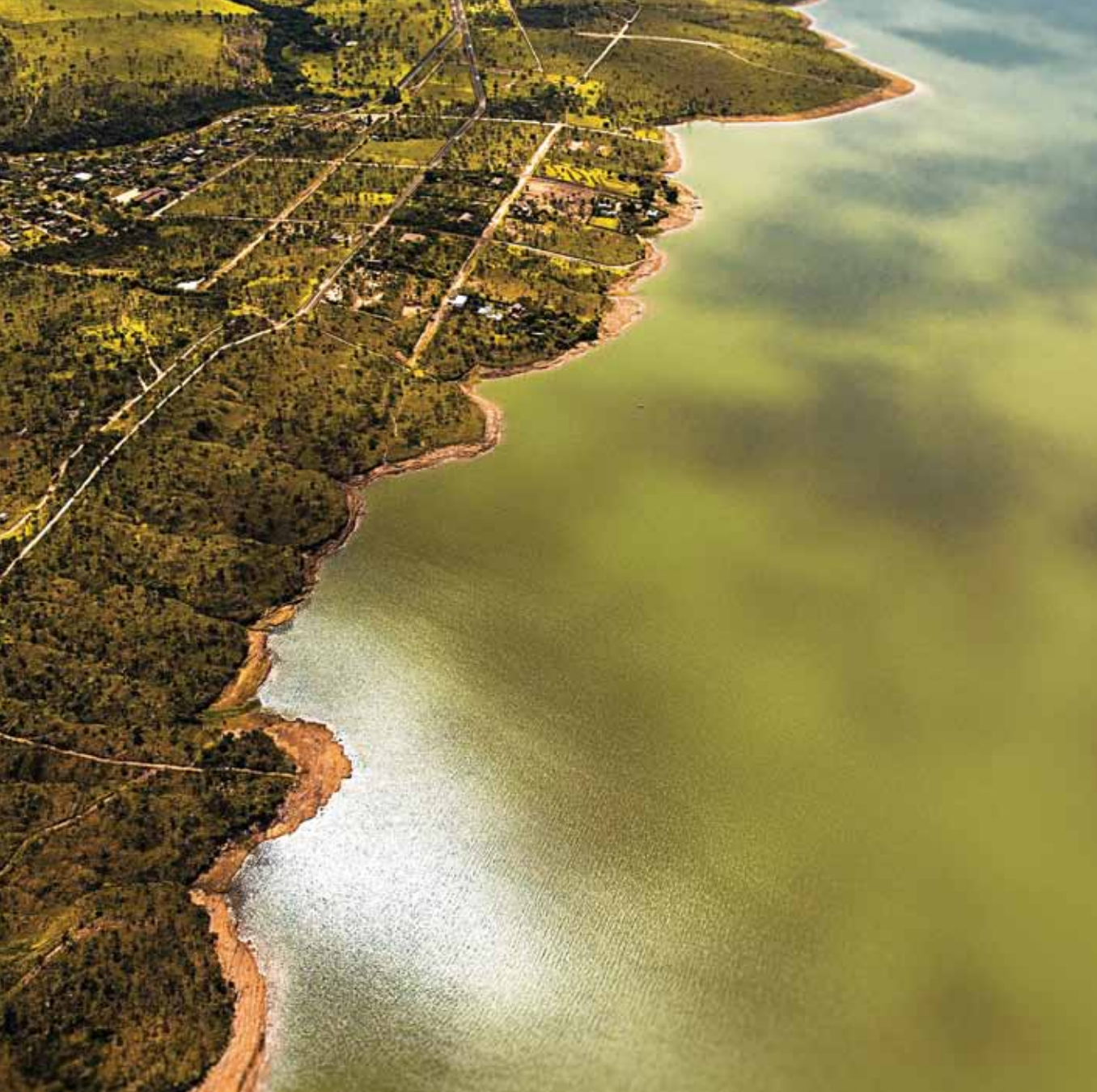
⁽³⁾ 99% of the total value of fuels is used for the Company fleet and 1% is used for its Emergency Generators.

⁽⁴⁾ Values for the Barreiro, Igarapé and Ipatinga Thermoelectric Power Plants.

Total power consumption fell by 31% in comparison with 2010, mainly due to the drop in the use of fuel oil by the Ipatinga Thermoelectric Power Plant which, in 2011, replaced this fuel with coke-oven gas (process residual gas) to start the machinery. The Igarapé Thermal Power Plant did not operate in 2011.

Over the years Cemig has effectively managed fuel consumption by its fleet of vehicles. Besides implementing of the Refueling Cards, in 2011 the Company replaced 2,047 of its fleet vehicles. Of the new vehicles, 854 were flex-fuel passenger vehicles, 869 were pickup trucks, 324 were trucks and six tetrafuel vehicles were purchased. **EN29**

⁹ Domestic effluents generation were calculated by the returns index of water-effluent, following the NBR 7229 norm.



TRÊS MARIAS HPP RESERVOIR

These measures represented a cumulative reduction in fuel consumption by 21% at 2008-2011 period.

The Ipatinga Thermolectric Power Plant (40MW), a joint venture with Usina Siderúrgica de Minas Gerais S.A. (Usiminas), produced an average thermal efficiency of 22.9%, while the average efficiency of the Barreiro Thermolectric Power Plant (12.9MW) which is integrated into Siderúrgica V&M do Brasil, was 20.9%. Both use blast furnace gases, tar and other residual gases. The fossil fuel consumption occurs only at the start-up of the machinery.

However, this power is not accounted in Cemig's Total Power Consumption calculation, because the fuels used generate electricity for use at the industrial plants.

BIODIVERSITY

With its predominantly renewable source matrix, the Company's relationship with natural resources is essential. Cemig's posture is to help to conservation and the promotion of these resources and their ecosystems. The Company's area of activity comprises two hotspots (highly threatened areas of great biological relevance to the whole planet): the Cerrado and the Atlantic Forest.

Recognizing, assessing and responsibly manage environmental impacts during the project, installation and operation phases of its enterprises are processes Cemig has perfected over time. Since the Company operates in different businesses, each venture undergoes specialized studies to distinguish, assess and establish

EN14

EN26



environmental programs aimed at mitigating, offsetting and controlling negative impacts and boosting the positive ones, depending on the type of impact.

Important initiatives aimed at enhancing Cemig's relationship with biodiversity are investments in research and development, increasing ecological awareness using environmental education tools, sharing acquired technical knowledge and mitigating negative impacts on the environment.

For further information on Cemig's biodiversity conservation programs, please access: <http://www.cemig.com.br/sites/en/Sustainability/Programs/EnvironmentalPrograms/Biodiversity/Pages/default.aspx>

Protected Environmental Areas

To enlarge the knowledge base and availability of information on biodiversity and its co-existence with electricity generation facilities, Cemig maintains environmental stations that cover over 5,742 hectares (57.42 km²). This translates into knowledge, discoveries and expertise acquired from research, all of which are shared with society through partnerships, publications and environmental education projects undertaken by the Company. For further information on Cemig's Environmental Stations, please access: <http://www.cemig.com.br/sites/en/Sustainability/Programs/EnvironmentalPrograms/Biodiversity/Pages/EnvironmentalReserves.aspx>

EN11

EN13

EN14

EU13

PROTECTED ENVIRONMENTAL AREAS

	Area (km ²)
Land	
Galheiro Environmental Station	28.47
Jacob Environmental Station	3.58
Volta Grande	3.91
Peti	6.06
Itutinga	0.35
Machado Mineiro	0.03
Taquaril	0.50
Fartura	14.55
Total land	57.42
Fresh water	2,148.53
Total protected areas	2,205.95

Ichthyofauna monitoring is undertaken at 25 of 43 reservoirs in order to detect any variations in the abundance and composition of fish populations. The survey

and monitoring of fauna on land were performed at 75% of the environmentally protected land areas, established how Private Reserve of Natural Heritage (RPPN).

Information about the Legal Forest Reserves please access: http://cemig.infoinvest.com.br/enu/8777/Form20F_2010_Cemig_Versoparaimpreso.pdf, pg 52.

Cemig is developing a tool to assess the socio-environmental quality of hydrographic basins and subsidize restoration of habitats in areas where the company releases fish fingerlings. The tool incorporates ecological information on the individual, population and community levels correlated with the degree of degradation, which can be positive or negative. The implementation of this project will be a methodological innovation in the development of Biotic Integrity Indexes as an important tool in managing the environmental quality of reservoirs and hydrographic basins in Brazil. In 2011, 11 scientific papers were presented at congresses, symposia and seminars in Brazil on the environmental field as a result of this project.

In order to identify protected environmental areas at the federal, state and municipal administration in Minas Gerais and their interference with Cemig's electric system facilities and structures, the Company has set up Verde Minas (Green Minas), a planning tool to help it assess the impacts on biodiversity of its new projects. Verde Minas enables business planning decisions, the development of new electrical projects, construction and the operation and maintenance of existing structures so as to provide harmonious co-existence between Cemig's operating activities, the environment and pertinent legislation. Currently, 84% of all these areas in the State are registered and geo-referenced in its database.

No land owned by Cemig encroaches on legally protected environmental areas. When these areas intersect with transmission lines and distribution grids, their interferences are the object of characterizations, assessments, monitoring and proper interventions when necessary and properly related at each Environmental Impact Study of its ventures.

Environmental Education

Sharing learning and helping to expand ecological awareness in its area of activity is Cemig's intention

with its environmental education work.

In partnership with the Biodiversitas Foundation, in 2001 Cemig created the Terra da Gente program, with the objective of providing didactical and pedagogical support in environmental education to teachers in the Minas Gerais state school network, with an emphasis on the protection, conservation and recovery of the biodiversity of the Cerrado and Atlantic Forest biomes. During its 10 years of existence, the program has made material available to about 16,000 teachers in the Minas Gerais state school system, or 19.3% of the total, and involved over 250,000 students in their final years of basic education.

Another initiative has been the Environment Week held by the Company. In 2011, the theme chosen was "Attitudes that move the world", based on the Intelligent Energy Program (see Item Energy Efficiency and Conservation).

By means of a theater play, the public was shown how to avoid wasting energy and to improve safety in the home. More than 600 students and teachers from municipal and state schools from the Metropolitan Belo Horizonte Region took part. The Company's purpose in staging this event was for students to bring the concepts of safety and not wasting electric energy to their homes. The children of Cemig's staff also took part.

Practices focusing on socioenvironmental education are also undertaken at the Environmental Stations and at specialized centers at the Company's facilities. In 2011, over 10,000 people were involved in these activities which ranged from technical visits, lectures, courses and fun activities to taking part in environmental events offered by the Company, such as fish stocking and releasing wild animals recovered at the environmental stations.

Special Project Highlight: Go Away, Golden mussel!

Since 2004, Cemig has endeavored to publicize information on the golden mussel and the ways it proliferates in the communities where the Company operates. The goal is to undertake actions to monitor, control and prevent the spread of the golden mussel and create a sanitary barrier to stop or minimize the impacts caused by infestations of this invasive species on its generating units, on the environment and on the population.

Monitoring, prevention, control and research activities have been undertaken by the Company by means of the projects funded by Aneel, about R\$ 6 million will be invested in four years of research.

Further information about the Golden Mussel and others aquatic species, please access: <http://www.cemig.com.br/sites/en/Sustainability/Programs/EnvironmentalPrograms/Biodiversity/Pages/AquaticSpecies.aspx>

In 2011 Cemig ran the "Go Away, golden mussel!" campaign for about a thousand primary school students from schools neighboring the São Simão Power Plant, on the border between Minas Gerais and Goiás states. The objective of the campaign was to teach people about the main problems the golden mussel causes for the population and the environment, as well as to disseminate ways of preventing this invasive aquatic species from spreading, informing them of how the mussel colonies block up the water supply catchment system. Apart from the students who attended, the campaign involved the riverside community living downstream from the São Simão Power Plant. Experts from Cemig spoke to fishermen about the importance of disinfecting their boats and the fishing gear.

The brochure on Golden Mussel is accessible at: http://www.cemig.com.br/Sustentabilidade/Programas/Ambientais/Biodiversidade/Documents/Folder_Mexilhao_Web_3.pdf



Fauna and Flora Conservation

Integrated actions focused on fauna and flora conservation on the biomes where Cemig operates in have brought about positive results that can be seen systemically. As to the flora, actions are mainly focused on urban arborization, seed and seedling production for riparian reforestation and replanting of protected areas. In regard to animals, the focus is primarily on fish population given the extent of freshwater protected areas, but work is also done with the wild animals in its environmental stations, highlighting the partnership with IBAMA in the Wild Birds Release Areas Project (ASAS).

More details on Cemig's fauna programs please access: <http://www.cemig.com.br/sites/en/Sustainability/Programs/EnvironmentalPrograms/Biodiversity/Pages/FaunaConservation.aspx>

Fish Population Program

- **EN12** A significant environmental impact caused by hydroelectric energy generation activities can be noted among aquatic fauna, most especially fish, due to the formation of reservoirs. In order to monitor and take effective action to mitigate the negative effects, the Peixe Vivo Program is intended to create
- **EN14**

and expand actions for preserving aquatic fauna at the hydrographic basins where the Company operates. What makes it different is the interaction between scientific research, field practice and community participation so as to enhance its outcomes.

Among the activities coordinated by Peixe Vivo are the fish stocking events, held by the Volta Grande, Machado Mineiro and Itutinga Fish Culture Stations with the local community taking part. They consist of releasing fingerlings into the power plant reservoirs, tributaries and rivers. These are important moments to involve the community in actions for environmental education.

The 2010-11 catch produced and released a total of 17.13 tonnes of fry. At the Volta Grande Environmental Station, the catch was almost exclusively for scientific production, with the support of production in association with farmers and the State Forests Institute (IEF).

As part of the working strategy of the Peixe Vivo Program, Cemig is building the Center of Excellence in Ichthyology of Volta Grande (CEIVG) including improvements and construction of physical facilities at the Volta Grande Fish Culture Station. Also part of the program is the implementation of partnerships

and joint ventures with universities to ensure the knowledge of, and improvement in fish population handling practices at the hydrographic basins of the lower and middle stretches of the Grande, Araguari and Paranaíba rivers. The Center could potentially become a nationwide benchmark in fish hatchery resources management, developing and transferring technology in the area to other electric energy utilities and research centers.

In 2011 improvements on the buildings already existing at the Volta Grande Fish Culture Station continued while construction of the reproduction laboratories and a multifunctional laboratory is nearing completion.

For additional information about the Peixe Vivo Program, visit:
<http://www.cemig.com.br/sites/en/Sustainability/Programs/EnvironmentalPrograms/PeixeVivo/Pages/default.aspx>

Co-existence with the Urban Forest

- **EN12** Among other incentives, Cemig's Environmental Management addresses the development of methodologies and procedures of intervention on urban trees next to the electricity distribution networks, in partnership with municipalities, in order to mitigate the effects of this environmental impact.
- **EN13**

The need to keep trees in check is because of the requirement to ensure the system's operating safety and the large number of interruptions in electricity supply when the network interferes on urban trees. In 2011 falling trees answered for 34,227 interruptions in electricity supply and were the third largest cause of accidental interruptions in the Company's urban distribution system.

Over the years Cemig has been making investments directed to technical improvement in tree pruning using directional pruning, which is the technique considered most suitable for large trees and the electric distribution networks to co-exist. Furthermore, the Company has also implemented alternative distribution system technologies (protected and insulated networks) that improve the systems' co-existence with urban trees.

Considering how difficult and challenging it is to grow trees in an urban environment, and acknowledging how important they are for the environment of the cities where it operates, in 2011 the Company held the Cemig Urban Tree Planning Circuit, consisting of organizing seven events in the different operated areas of Minas Gerais.

The schedule of these events addressed the different aspects of urban tree planting with presentation by experts from the Company itself, Universities, City Halls and Non-Governmental Organizations. Of special note was the Uberlândia stage of the Circuit, which was being held at the same time as the IV Vegetation Management Seminar in Electrical Distribution Systems, which, in addition to lectures in auditoriums, offered six short courses on different arboriculture practices. The Circuit was attended by 1,118 participants in all and had the backing of the Brazilian Society for Urban Forestry (SBAU), and of the International Society of Arboriculture (ISA).

To engage society in better management practice and co-existence with urban forests, the Special Program for Integrated Management of Trees and Networks (Premiar), which has been working jointly with the Belo Horizonte Municipality for three years, was set up. (<http://www.cemig.com.br/sites/en/Sustainability/Programs/Environmentalprograms/Premiar/Pages/default.aspx>)

In addition to the urban forestry management activities, it is worth mentioning the great emphasis placed by Premiar on ongoing dialogue with the communities on the importance of city trees to the quality of the urban environment. Communication agents travel the area covered by the Program where trees are removed or planted and tell the residents the reason for such steps and how they can help care for the saplings planted. Over 3,500 houses were visited in Belo Horizonte and 84% of the residents contacted are in favor of the program's actions.

In 2011, 259,636 trees were inspected, and 2,758 in danger of falling were replaced, while 2,648 seedlings were planted throughout Belo Horizonte. Premiar established a partnership with the Belo Horizonte Municipality to run a qualitative and quantitative tree

census in the town and set up a georeferencing data system to manage the urban forestry. Also of note was the completion of the detailed study of the effects of severe meteorological phenomena responsible for a major part of the service interruptions and falling trees in the rainy season from January to April 2011.

The Company launched the third edition of its Urban Forestry Manual, drawn up jointly with the Biodiversitas Foundation. The publication is directed to specialists in the theme, NGOs and city halls. The Manual was revamped to add techniques and concepts that were updated due to innovations in arboriculture techniques and development of electric energy distribution technologies. In addition to the printed format, the Manual is available in a multimedia version, with enriching photos, illustrations and videos for ease of understanding. For further information, access: http://www.cemig.com.br/SalaDeImprensa/Documents/Manual_Arborizacao_Cemig_Biodiversitas.pdf

Seeds and Saplings

Actions concerning reforestation of riparian vegetation, carried out in 2011, concentrate on producing and processing seeds, producing saplings and planting. The Company manages two forest nurseries at the Itutinga and Volta Grande environmental stations and a seed laboratory.

The Forest Seeds Laboratory located in Belo Horizonte gathered 3,804 kg of fruits, which after being processed, resulted in 622.7 kg of seeds of about 110 species that were distributed among the Volta Grande and Itutinga nurseries and also given away to IEF – the State Forest Institute’s nurseries. In all, the Volta Grande and Itutinga nurseries produced 430,000 saplings of native species to be used on the Company’s riparian reforestation projects, and 15,800 saplings for urban tree planting. Of these saplings, 40,000 were sent to the Três Marias Hydro Power Plant nursery, responsible for distribution to rural landowners in the Northern region of the State interested in performing riparian forest recovery projects and the rest were forwarded to the Company’s other regional offices.

Cemig manages 2,148.53 km² of reservoirs at its hydroelectric power plants. In conformity with the

legislation in force, part of the areas surrounding reservoirs is considered a Permanent Preservation Area (APP). These areas, however, do not belong to the Company and are owned by third parties who are given incentives by Cemig to preserve their areas through cooperation programs. Cemig provides the saplings and implementation funds, whereas landowners contribute with the land and the commitment to maintenance. Through these partnerships in 2011 a total of 89 hectares (ha) of riparian forest of the Company’s hydro power plants’ 7 reservoirs were planted: Camargos HPP – 14 ha, Cajuru SHP – 4 ha, Jaguará HPP – 3 ha, Nova Ponte HPP – 8 ha, Rosal HPP – 10 ha, São Simão HPP – 20 ha and Volta Grande HPP – 30 ha.

WATER RESOURCES

The rational and sustainable use of water resources ^{EN25} is a high priority topic for Cemig since its energy source matrix is 96.5% focused on Hydroelectric Power Plants, which added a total of 6,453 GW of Cemig installed capacity. It is important to note that no company’s Hydroelectric Power Plant is located in a water stress area in the light of information made available by the United Nations Organization (UN)¹⁰ and by Brazil’s National Water Agency (ANA)¹¹. The Company has a number of procedures whose objective is to maintain and conserve this resource, as well as systematically assess the environmental risks to the water sources used in its undertakings.

In Brazil, since the National Water Resources Policy and the National Water Resources Management System were established, the use of water has been debated, prioritized and negotiated involving the authorities, civil society and users in general. The Company takes an active part in all regulatory forums concerning this Policy, notably the National and State Councils for Water Resources, River Basin committees, Technical Chambers and Work Groups, the main decision-making panels.

Additional details on the Cemig’s institutional participations please access: <http://www.cemig.com.br/sites/en/Sustainability/WaterResources/Pages/WaterResourceManagement.aspx>

¹⁰ <http://www.un.org/waterforlifedecade/scarcity.html>

¹¹ www.ana.gov.br/

In the realm of civil society, the Integration Plan with Communities was created to strengthen the Company's relationship with riverside communities. It is organized into events held at the sites where Cemig has power plants. Lectures are given on the Company's actions to minimize the effects of the floods and also to ease shortage situations; procedures to ensure the physical safety of the dams; the environmental actions implemented in the area and other relevant topics for the local population. The program also includes a guided tour of the hydro power plant located in the area for people to become acquainted with its structure and operations.

As well as conveying information, the Plan aims to listen to the population's demands and establish partnerships with the regional press, with local leaders and bodies responsible for safety and prevention against the effects of the flooding such as Civil Defense, the Fire Brigade and the Military Police. During the rainy season, Cemig issues bulletins for broadcast over local radios and by the press on climate conditions, river levels and operation of the reservoirs in the areas where rainfall has been heavier.

In 2011, Cemig held 13 events under the Integration Plan, reaching a total audience of about 600 people.



FISH CULTURE STATION – VOLTA GRANDE

By relating in this way, Cemig incorporates parameters for relationship and communication into its reservoir management process, which, among other benefits, is a significant help towards controlling flooding where its hydroelectric power plants are, weather forecasts with a higher hit rate and helps to periodically control silting in the reservoirs.

The “Rainy Season and Reservoir Operation” Primer is available at the follow web address: http://www.cemig.com.br/Sustentabilidade/Programas/Ambientais/RecursosHidricos/Documents/CartilhaEstacaoDasChuvas_GestaoReservatorios.pdf

Financial Compensation is a sector tax charged for the use of water resources to generate electric energy at 6.75% of the value of the energy produced at each of the company’s plants, and shared out among States, Municipalities, Federal Authorities and the Water Resources Management System.

In 2011, Cemig paid R\$ 145,442,416.26 in all. Of this amount R\$ 58,176,966.52 was passed on to the municipalities impacted by the construction of the power plants and another R\$ 58,176,966.52 went to the States. R\$ 16,160,268.48 went towards maintaining and reclaiming water resources through the National Water Agency and R\$ 3,878,464.43 went on to managing the National Hydro-Meteorological System. For further information on Financial Compensation, please access: <http://www.cemig.com.br/sites/en/Sustainability/WaterResources/Pages/FinancialCompensationForUseOfWaterResources.aspx>

EN12 In line with its aim to foster environmental conservation, Cemig monitors the quality of the water in its reservoirs in a network covering the main river basins of Minas Gerais, in 43 reservoirs and over 200 physical, chemical and biological collection stations.

As a monitoring tool, Cemig also uses the Water Quality Index (IQA), which indicates the degree of contamination by organic materials, nutrients and solids. Provided by the Water Management Institute (IGAM) and accessible to society on the Internet <http://www2.cemig.com.br/sag/>

The table shows the IQA data for Cemig’s main power plants using average annual results for 2011:

Hydro Power Plant	Body of Water	IQA	EN25
Irapé	Jequitinhonha	79.83	
Volta Grande	Grande	90.50	
Nova Ponte	Araguari	77.95	
Salto Grande	Santo Antônio	79.59	
São Simão	Paranaíba	75.81	
Cajuru	São Francisco	69.14	
Piau	Piau	75.80	

Quality level	Range
Excellent	90 < IQA ≤ 100
Good	70 < IQA ≤ 90
Average	50 < IQA ≤ 70
Poor	25 < IQA ≤ 50
Very Poor	0 < IQA ≤ 25

Additional information about water resources Company’s actions, access: <http://www.cemig.com.br/sites/en/Sustainability/WaterResources/Pages/default.aspx>

CLIMATE CHANGE

The Cemig’s performance on climate change theme is contained in the Company’s business strategy of being world leader in the electric energy sector as regards sustainability. Within this business vision, Cemig’s focus for expansion remains on renewable energies, as shown by its taking an ownership stake in Renova Energia engaged in generating electricity by means of renewable alternative sources such as Small Hydroelectric Power Plants (SHPs) and Wind Farms.

The Company’s Generating Park is 98% made up of low carbon sources, of which 96.5% come from Hydroelectric Power Plants, 0,8% from Thermoelectric Power Plant by process residual gases and 0.7% from Wind Farms. The state of Minas Gerais, Cemig’s area of activity, has one of Brazil’s largest water reserves, which over the years has enabled 59 HPPs to be set up.

EU1
EU2
EU10
EU30

Global Compact
Principle 7

Source	Installed Capacity		Net Generation				Average Availability
	2011		2010		2011		2011
	MWh	%	MWh	%	MWh	%	%
Cemig total	6,686.6	100	32,817,482	100,0	33,926,132	100	-
Hydroelectric	6,452.9	96.5	32,366,037	98.6	33,434,839	98.6	91,1
Thermal	183.9	2.8	365,370	1.1	368,571	1.1	-
Thermal – fuel oil	131.0	2.0	-	-	-	-	58.4
Thermal – process gases	52.9	0.8	365,370	1.1	368,571	1.1	93.5
Wind Power	49.8	0.7	86,075	0.3	122,722	0.4	78.4

Note: date include installed capacity and generation by Cemig GT's own power plants and the amount for the share of Cemig or Cemig GT in joint ventures and controlled/associate companies in a commercial operation in the period January to December 2011, except Light.

Debates, initiatives and lessons learned on climate change prepare Cemig for a low carbon economy based on risk assessment and climate opportunities. In 2011 Cemig made public its commitment to climate management on publishing its 10 Initiatives for the Climate, a document approved by the company's executive board that defines its main initiatives and forms of activity.

10 CLIMATE INITIATIVES

1	Generation of energy from renewable sources
2	Creation of the first Brazilian ESCO – Energy Service Company, certified with ISO 9001 and affiliated to a power utility
3	Implementation of energy efficiency and conservation projects
4	Activities in the natural gas segment
5	Investments in new energy sources
6	Integration of carbon risks into the technical and economic feasibility studies for new projects, asset acquisitions and mergers
7	Assessment of climate change risks and opportunities
8	Processes efficiency improvements
9	Reduction of emissions from transport activities
10	Technology and innovation program

For further information on the subject, go to: <http://www.cemig.com.br/sites/en/Sustainability/ClimateChanges/Documents/DezIniciativasClimaING.pdf>

In 2011 the Company was selected to make up the Efficient Carbon Index (IC02) for the second time. IC02 was developed by BM&FBOVESPA and by BNDES and is made up of shares of any companies that are part of the IBrX-50 index and join the initiative, taking into consideration the companies' emissions of greenhouse gases in weighing the participating shares.

Risk Management and Climate Change Opportunities

Cemig seeks to identify the main risks and opportunities for the Company's business stemming from climate changes and the measures to monitor and control them. The result of these analyses is outlined below and detailed in the Carbon Disclosure Project (CDP), the largest global data bank on corporate climate impact.

Cemig assesses the risk of increase in carbon emissions in its energy matrix and the financial impact of this increase, by carrying out environmental due diligence and sensitivity analyses regarding the acquisition of new enterprises, which is helping the Company in making decisions concerning the expansion of its businesses.

Hydrological Planning and Meteorology

As a means to prevent and adapt, Cemig invests in practices that place it in a safer position in the face of possible climate change. The Company uses state-of-the-art technologies and equipment such as the Storm Location System (SLT), Meteorological Satellites, Meteorological Models, a Telemetry System and Hydrometeorological Monitoring (STH).

In 2011, a cutting-edge meteorological radar was purchased and strategically located near the Belo Horizonte metropolitan area. This is the first Brazilian electrical utilities sector company to set up the most advanced tool for meteorological alerts. The forecast quality improves substantially so the intensity and location of storms is more accurate and thus more effective in orienting the teams of electricians who will reset the system in the event of interruption from meteorological causes (rain, electrical discharges and

wind). The radar also affords greater accuracy regarding the quality of hydrological forecasts, providing a safer hydraulic operation for the hydroelectric undertakings and the surrounding population.

Along with other entities in the sector, Cemig started a Research and Development project on Climate Change and their consequences on the “physical guarantee of hydroelectric power plants”. In other words, “physical guarantee” means the average amount of energy that can be generated, a kind of real backing in order for quantities of energy that do not in fact exist not to be traded. The Project is still in its initial phase, but its results may provide significant conclusions for Brazil’s electrical sector.

In the low carbon economy scenario, the Company identifies consistent opportunities to do business and obtain market advantages, mainly stemming from its energy matrix, its capability and adaptation

in the face of possible climate changes.

Reduction of Greenhouse Gas Emissions from Loss of Energy

Other measures to make it possible to reduce electric energy losses and the Greenhouse Gas Emissions as a result (scope 2) consist of the Company’s investments, on the order of R\$ 3.2 billion for the 2008-2012 period, directed to expansion, improvements and renovations to borderline measurement, substations, lines, grids and measurement of billings. These measures are part of the Distributor’s Development Plan (PDD).

Clean Development Mechanisms

Regarding the Clean Development Mechanisms projects, Cemig has projects in different stages as regards registering and obtaining the Reduced Emission Certificate (CER) regarding its hydroelectric power plants, both HPPs and SHPs:

Project	Status	Annual tCO ₂ eq reduction	Total de tCO ₂ eq reduction
SPE Guanhães, 4 PCHs, 44 MW	Registered	62,949	440,643
Baguari HPP	Aproved	63,234	442,638
Cachoeirão shp, 27 MW	Being registered	26,400	184,800
Pipoca SHP, 20 MW	Being validated	17,057	119,399
Paracambi SHP, 25 MW	Being validated	60,819	425,733
Renova wind farms ⁽¹⁾ , 294 MW	Being approved	327,306	2,291,142
Renova wind farms, 162 MW	Being validated	168,270	1,177,890
Renova wind farms, 213 MW	Being drawn up by DCP	237,781	1,664,467

(1) Figures refer to 100% of the CDM project for Renova’s Wind Farms. It is worth noting that Cemig holds an 8% stake in Renova Energia.

In 2011 the Baguari Hydro Power Plant received the authorization to obtain carbon credits to be traded as of 2012, which can generate revenue of R\$ 9 million in the coming seven years in credits alone.

Energy Efficiency and Conservation

EN6 Cemig works on different initiatives and projects aiming
EN18 to use electric energy rationally and incorporating
EN26 environmental and social benefits for consumers, customers and civil society.

In line with the Nation Energy Efficiency Program, Cemig’s Energy Efficiency Program (Smart Energy) meets Law 9991/00 which stipulates that 1% of the Company’s net operating revenue be allocated to projects and research to this end.

The Intelligent Energy Program’s priority public consists of communities with low purchasing power, hospitals, public, educational and charitable institutions that are non-profit-making. In 2011, investment was R\$ 80.1 million, with a reduction in energy consumption of 44,178 MWh/year and a reduction in peak demand of 16,235 KW in the residential and commercial sectors. This is equivalent to avoiding an emission of 1,290 tCO₂q.

The main projects developed in the Intelligent Energy Program in 2011 in the light of the environmental benefits shared are listed below. For further information on the other programs, refer to Intelligent Energy Program chapter, under Social Dimension in this report.

Project	Public served	Total investment (R\$ million)	Energy saved (MWh/year)	Total reduction of tCO ₂ eq
Conviver	Low income customers	22.7	31,122	908.76
Conviver Solar	Communities with low purchasing power	7.2	1,506	43.98
Conviver Rural – Jaíba	Small family farmers	5.4	3,651	106.61

EN6

To attend to its non-residential public, Cemig has Efficientia as a full subsidiary, an Energy Conservation Services Company (ESCO), which works to develop and enable technological solutions to further the efficient use of energy and the resulting reduction in greenhouse gas emissions at the facilities of medium to large sized customers from the commercial, industrial and services sectors.

From 2004 to 2011, 34 projects were completed, with another 11 at different stages of implementation, for expected completion in 2012. Actions accomplished vary from replacing inefficient lighting systems at industries for others with more modern technology, to erection of

energy cogeneration plants using residual process gases.

In 2011 Efficientia signed agreements with customers from the industrial and services industries to set up modernizing projects for compressed air generation systems, install frequency inverters to control the speed of pumping and ventilation systems and modernize lighting systems by using LED systems.

At the end of 2011 total saved cumulative energy stemming from the projects set up under Efficientia's management and that are still fully operating, amounted to 110,037 MWh/year, meaning an annual reduction of 3,213 tCO₂eq.



CEMIG'S METEOROLOGICAL RADAR

QUEIMADO HPP



Emissions

- **EN16** Cemig calculates its greenhouse gas emissions in accordance with the emission factors of the Brazilian
- **EN17** GHG Protocol Program, a tool to quantify and manage greenhouse gas emissions, adapted to Brazilian reality.
- **EN20**
- **EN29**

Cemig seeks to improve quantification of its inventory of Greenhouse Gas Emissions by doing thorough research in the Company for new sources of emission to be introduced and calculated. In 2011 new sources were identified and duly incorporated into the inventory, which for the first time was audited by an independent third party and verified on NBR 14064 Norm.

Scope 1 emissions in 2011 were 24,479 tCO₂eq derived from the vehicle and aircraft fleet (14,894 tCO₂eq); from SF₆ gas leakage from electrical equipment (3,452 tCO₂eq); from the thermal power plant emissions – engine start up (5,715 tCO₂eq); from the use of emergency service generators (156 tCO₂eq); from the use of machines and stackers (235 tCO₂eq); and from the use of fertilizers (19 tCO₂eq).

Therefore, Cemig's scope 1 emissions intensity in 2011 was 0.72 kg CO₂/MWh. If Cemig's emissions intensity is compared with the National Interconnected System's emissions intensity (29.2 kg CO₂/MWh.), or with the world average (603 kg CO₂/MWh) and with Europe's (412¹³ kg CO₂/MWh), the figure is notably smaller. That is why in 2011, in keeping with a trend witnessed in the previous

two years, practically 100% of the energy generated was from renewable sources.

Scope 2 emissions refer to the electric power consumed in the industrial facilities and offices, provided by the Sistema Interligado Nacional – SIN (National Interconnected System), as well as some of the energy losses in the electrical system. It is important to note that scope 2 emissions are strongly influenced by the Brazilian emissions factor. In 2010, the factor was 0.0509 t CO₂/MWh, whereas in 2011, the factor dropped to 0.0292 t CO₂/MWh. Of the total scope 2 emissions in 2011, 0.8% (1,369 tCO₂eq) was due to power consumption and 99.2% (166,820 tCO₂eq) was related to energy losses.

Of the scope 3 emissions in 2011, 1,889 tCO₂eq were from business trips, 1,042 tCO₂eq from employee transport and 549 tCO₂eq from cargo transport.

For further information on this subject, please access the following link: <http://www.cemig.com.br/sites/en/Sustainability/Programs/EnvironmentalPrograms/Pages/AtmosphericEmissions.aspx>

The company's thermal power plants are those responsible for the sulfur dioxide (SO₂) and nitrogen oxide (NO_x)¹⁴ emissions, acid rain causative. Only one of Cemig's Thermal Power Plants uses fossil fuel to operate – the Thermal Power Plant Igarapé, and it is currently being renovated. In 2011 the two thermal power plants that

¹² Source: How the energy sector can deliver on a climate agreement on Copenhagen International Energy Agency 2009 p. 31. http://www.worldenergyoutlook.org/docs/weo2009/climate_change_excerpt.pdf

¹³ Source: WEO 2010 International Energy Agency (p. 640): 412 kg/MWh

¹⁴ SO₂ and NO_x are gases that cause acid rain.



use blast furnace gases – the Ipatinga Thermal Power Plant and the Barreiro Thermal Power Plant – were the ones emitting SO₂ and NO_x.

NO_x emissions were 87.42 tonnes, which means a 55% increase over 2010. As to SO₂, 405.9 tonnes, 15% higher than in 2010, were emitted.

ENERGY ALTERNATIVES

Global Compact
Principle 9

Research and Development (R&D)

Cemig's continuous investment in technological innovation and efficiency, together with the establishment of successful joint ventures, has historically been a determinant factor for its market position. The Program for Research and Development concerning energy alternatives amounted to R\$ 6.7 million in 2011. One of the company's distinguishing marks is the ability to amplify benefits for society, thereby enabling the necessary link between research and practice.

Besides investing funds provided for in Law 9.991/2000, the benefits of the Law 11.196/2005 and making its own investments, Cemig has consolidated important partnerships to invest in R&D, such as with the Financiadora de Estudos e Projetos – FINEP (Financer of Studies and Projects), with the Fundação de Apoio

à Pesquisa do Estado de Minas Gerais –FAPEMIG (State of Minas Gerais Research Support Foundation), and with the Fundo de Desenvolvimento Tecnológico de Telecomunicações – FUNTEL (Fund of Technological Development of Telecommunications).

Green Transformers

In partnership with ABB, a global leader in power and automation technologies, Cemig has begun a new stage of the Power Transformers Revitalization and Repowering Project and develop current transformers on vegetable oil instead of mineral oil. The main advantage of vegetable oil over mineral oil is because it tends to dissolve faster, which significantly reduces the risks of an environmental accident in the event of leakage, and increases the useful life of a standard transformer fivefold.

Energy Generation Using Carbonization Gases and Biomass

In conjunction with ArcelorMittal Bioflorestas the company is investing R\$ 8 million in a research and development project in order to generate electric energy using gases and the biomass from the process used to produce charcoal. It is fundamental to point out that the charcoal is produced from planted forests whose specific purpose is to produce charcoal used by the iron and steel industry in the State of Minas Gerais. The project is to be implemented at the Buritit Bio-Reducer Production Unit, in Martinho Campos (MG), where eucalyptus is produced using fully mechanized handling.

Another initiative in this area was made feasible through a joint venture with Plantar Ltda. The project provided the construction of the first electricity generation power plant with an installed capacity of up to 1 MW using waste gases from wood carbonization as an energy input.

New Energy Sources

Solar Energy

Solar Mineirão Project

The Cemig's Executive Board and Board of Directors approved investment of 12 million Euros to build a photovoltaic power plant on the roof of the stadium. Of this amount, 80% will come from the German Development Bank KfW, while the remaining 20% will be from Cemig's own capital. In 2011 the technical specification was completed for the equipment to be installed on these roof. The photovoltaic solar power plant will be installed with 1.2 MW peak power, supplying energy for the Stadium and for sale on the market.

Sete Lagoas Solar Power Plant

A joint venture was signed to set up a Photovoltaic Solar Technology Application Park and a 3.3MW peak Experimental Solar Power Plant in Sete Lagoas in partnership with Spanish company Solaria Energia y Medio Ambiente, the Federal University of Minas Gerais and the Research Support Foundation of Minas Gerais.

The experimental Photovoltaic Solar Generation Power Plant will be the largest in Latin America and one of the first to be integrated into the conventional public grid. The energy generated will be sufficient to supply up to 3 thousand homes.

The Sete Lagoas municipality was chosen as the plant's site due to its satisfactory solar radiation index and because the Cities of the Future program actions was already centered there. This Plant will be an opportunity to gather expertise and strategic knowledge on this source of energy in Brazil, since similar plants are all installed in the Northern hemisphere.

The first version of the Minas Gerais State Solar Radiation Atlas was also produced in 2011 through an R&D project. The main objective of the project is to stimulate investments in solar energy in the State and increase the share of this renewable source in the energy matrix of the state of Minas Gerais.

Wind Energy

Through its stake at Renova Energia, the company has expanded its investments in the generation of electric energy through wind power. Currently, Renova boasts 29 wind farms that total 668.4 MW of installed capacity, traded in the Regulated Procurement Environment (ACR) as described in the table below:

Project	Location	Number of farms	PPA timeline (years)	Initial operation estimate	Installed capacity (MW)
*LER 2009	Bahia	14	20	jul/12	294
*LER 2010	Bahia	6	20	sep/13	162
**A-3 2011	Bahia	9	19 and 10 months	mar/14	213

*LER – Reserve Energy Auction (run by the Federal Government).

**A-3 – New energy source auction (run by the Federal Government).

Low power wind generators


In 2011 the development project aimed at wind power stations adapted to the wind conditions in the state of Minas Gerais, which culminated in a 10kWe aero generator turbine prototype being built.

Biomass and Waste Gases

Efficientia coordinates several projects in conjunction with the sugar and ethanol sector, managing the erection of new transmission lines and substations to connect the sugar and ethanol plants to the electric system. These initiatives have enabled the energy

generated through co-generation, using sugarcane bagasse (production waste) to be injected into the system, hence increasing the share of renewable sources in Brazil's energy matrix. The work in the São Simão region of Minas Gerais was finalized, where 43 MW of power were injected into the system from 2011 on. Furthermore, the connection works respective to those contracts signed in 2009, in the Vale do Tijuco, Paracatu, Chaveslandia, Joao Pinheiro and Frutal regions in the state of Minas Gerais were concluded, thus enabling an injection of 174 MW of power into the electric system from this energy source.

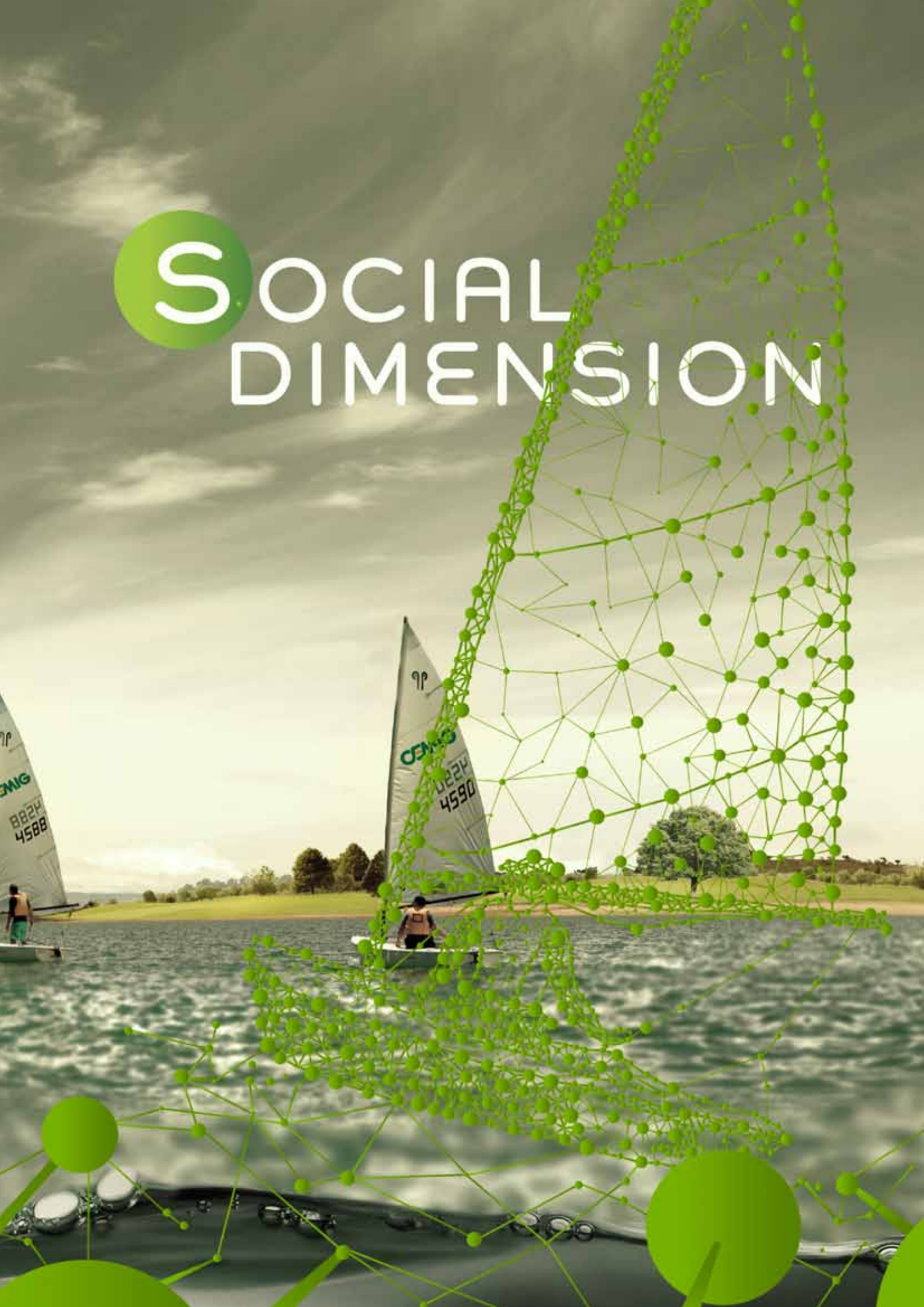




VERSOL, THE PROJECT THAT BRINGS WATERSPORTS,
LEISURE AND ENVIRONMENTAL EDUCATION TO
CHILDREN AND YOUTH IN THE MUNICIPALITY OF
TRÊS MARIAS AND THE REGION: AN INITIATIVE THAT
TRANSFORMS VULNERABILITY INTO OPPORTUNITY.



SOCIAL DIMENSION



SOCIAL STRATEGY



Cemig believes the success of its businesses and the quality of its products relies on its stakeholders' relationships. Therefore, the Company is always working on to engage in an harmonious and respectful interaction that takes into consideration the needs and contributions of each stakeholder.

In its Communication Policy, Cemig identified its main stakeholders and established the main drivers, criteria and values that guide its relationship strategies. The Company develops specific forms of engagement in order to guarantee that all the stakeholders are able to express their opinions and demands.

Regarding engagement practices, the box below shows what the means of communication and exchanging information between the parties and Cemig are: **EU19**

Stakeholders	Channels and Engagement Practices	Achievements
Not for profit organizations	Subvention Concession Program Internet access at: http://www.cemig.com.br/sites/en/Sustainability/Programs/EnergyEfficiency/Pages/EnergyEfficiency.aspx	Financial discount on invoices / energy bills sent to Philanthropic Institutions providing social assistance, Hospitals and Churches/Temples.
Local Communities	Meetings held with the population; Public hearings and meetings concerning the licensing processes; Sponsorship of social projects; Corporate Communication Area;	Ongoing relationship with the neighbor communities
Government Authorities and Electrical Sector Regulatory Agencies	Regulatory Affairs and Institutional Relationship Superintendence	Comply with legal principles as regulated by Aneel and other governmental entities.
Shareholders and Investors	Sites: http://ri.cemig.com.br/?idioma=enu http://cemig.infoinvest.com.br/?idioma=enu Website, assistance via e-mail, telephone, shareholder meetings, participation in events, reporting, etc.	To follow the determinations and regulations of the Stock Markets on which Cemig is listed and by the respective legislation in force. Respect the Dividends Policy, the Information Disclosure Policy, the voluntary adhesion to Bovespa's Corporate Governance Level 1 and its Communication Policy.
Scientific Community (Universities and Research Centers)	Energy Alternatives and Technology Superintendence Research projects, participation in conferences and seminars	Develop and participate in cooperation projects with the goal of fostering the creation of Technological Centers of Excellence, through associations and partnerships with universities and research institutions.
Suppliers and service providers	Procurement Portal Ongoing dialogue and the Materials and Services Superintendence.	Utilization of criteria for registration, selection and bidding process procedures concerning materials suppliers and service suppliers, guided by Cemig's Supply Policy and Relationship with Supplier Manual, and in observance of Federal Law No. 8.666 of June 21st, 1993. Abide by the Occupational Health, Safety and Well-being Policy and by the Communication and Information Security Policy.
City Halls within Cemig's Concession Area	Relations with Distribution-related Public Power Special Clients Management Office	Render differentiated and personalized services to city halls within Cemig's concession area
Employees and Other internal Agents	Internal Communication; Intranet; Human Resources Area.	Share information between the employees and Cemig's internal agents
Clients	Communications and regular meetings; Daily reports; Monthly billing declaration; Consumer Council.	Ongoing relationship about transparent information

S05 Cemig participates in debates concerning public policies, mainly involving environmental, social and regulatory issues. This participation is mainly technical and takes place through several associations related to the electric sector, as well as through committees and funds concerned with social (described above) and

environmental (described in the Environmental Dimension - Relationship with Society item) issues.

Moreover, the Company offers Society and Consumers relationship channels that allow them to conduct business, register complaints and compliments and request services

in a timely and efficient manner (telephone, fax, e-mail, online chat and mail) and also maintains the Consumer Council, Ombudsman and Consumer Service Center (CAC).

Recognized for its sustainable operations and for its commitment to encouraging social development through the creation of jobs, Cemig also stands out for its promotion of social dignity through the generation, transmission and distribution of energy to the citizens in the areas in which operates.

Originally conceived as an engine of progress in the State of Minas Gerais, the Company's trajectory has been remarkable for its continual efforts to promote high quality energy compatible with the needs of society.

SOCIETY

Since its creation, Cemig has sought to improve its relationship with society, its internal public, suppliers and consumers by supporting, respecting, protecting and not violating internationally recognized human rights.

Cemig's social investments convert into a strategy that goes beyond the boundaries, reaching all its publics and establishing a common base of values shared throughout the production chain.

501 An example of that will be the investment of nearly R\$ 1.8 billion in the Renovation and Modernization Program involving ten hydroelectric power plants, which is going to be carried out over the next fifteen years. The first plant to start the renovation work will be the São Simão HPP, where machine stoppage is planned for 2012.

From planning stage through to the conclusion stage of the program, which is scheduled for October 2018, a complete communication plan for the communities and other publics involved is being carried out. The goal is to introduce the project to the population living in the areas surrounding the plants and stay in contact with the media through press releases and informative bulletins.

Meetings have been held with the purpose of providing information about the work, describing the benefits, timeframes, environmental issues and labor employment

opportunities. Moreover, the meetings were also an opportunity for the population to have questions answered and voice their own interests and expectations with regard to the program.

Another approach adopted by the company is the "face-to-face communication", which comprises visits to the community, public bodies and schools and the distribution of informative publications. In 2011, Cemig informed all stakeholders in the proximities of the revamping of the Rio de Pedras SHP about the rock dismantling process, highlighting all the risks inherent to the process, as well as all due safety procedures for the population.

Currently, 100% of Cemig's operations are the target of work by Cemig's Corporate Communications team with the goal of mitigating any possible negative impacts, as well as maximizing positive impacts as the initiatives produce a relationship bond with those communities neighboring the projects the Company undertakes.

The relationship with stakeholders takes into account the socio-economic diagnostic resulting from the assessment conducted in the region where an enterprise is installed, or is to be installed, which covers the municipalities and surrounding areas. Knowledge of the variables (social, cultural, economic and others) in the region is a fundamental requirement that supports the contacts and assessments within the community engagement process. In 2011 there were no instances of reallocation of peoples as a result of new operations and/or projects undertaken by Cemig. EU20 EU22

Concerning society, the Company is constructing a sustainable business model intended to contribute towards the development of the community by means of access to culture, to sporting activities and by undertaking structuring social activities that also promote citizen engagement. The Company's Sponsorship Policy specifies the investment directives for sponsorships and the use of fiscal incentives, thus demonstrating transparency in resource management.

Searching for an effective measurement way to allocate money, time and other resources where Cemig is more efficient, in order to generate a higher social value, the Company decided to adopt the London Benchmarking Group (LBG) methodology guidelines.

This tool supports the main drivers of performance and rise the investments credibility, since it measures the real value and impact of the corporate investments on the community through the company and society eyes.

Index such as the DJSI World have also adopted the LBG methodology in their scope. Moreover, the LBG

methodology is aligned with the GRI's key indicators.

In the table below, the item Investments in the Community has fallen due to the decrease in its component "investments in R&D", which fell from R\$ 50 million in 2010 to R\$ 20 million in 2011. On the other hand, investments in Energy Efficiency (Subventions) rose from R\$ 31.2 million to R\$ 55.8 million.

Classification of contribution	Million R\$		
	2009	2010	2011
Donations	4.68	16.82	16.52
Investments in the community	37.98	72.91	39.90
Subventions	27.56	31.17	55.83
Total contributions (in reais)	70.22	120.90	112.26

In accordance with the LBG methodology, the company's social investments were also stratified by

kind of contribution and area of investment, as is shown in the tables and graphs below:

Kind of contribution	2009	2010	2011
Financial contributions	42.48	77.46	44.78
Administration costs	1.20	1.55	2.26
Donation of assets and/or services	26.54	41.89	65.22
Total Contributions (in reais)	70.22	120.90	112.26

External social investments	2009	2010	2011
Culture	22.50	18.76	15.54
Education	2.52	0.40	1.03
Sport	2.96	3.75	3.33
Social Development Projects	42.24	97.99	92.35
Total contributions (in reais)	70.22	120.90	112.26

Cultural and Sporting Initiatives

S05 In 2011, sponsorships remained aligned with the strategy outlined in the Company's Sponsorship Policy and were undertaken in synergy with the current public policies in order to improve the cultural situation in the State. The Company's two programs – Cultural Cemig and Film in Minas supported 144 projects in 21 municipalities, meeting the State Department for Culture's goal of regionalizing cultural production. The total investment in culture, spread among sponsorships benefitting from incentives provided by Federal Law and through donations of own resources, was R\$ 15.27 million.

The new announcement for the 2011/2012 Film in Minas Program included 32 projects with an investment of R\$ 4.5 million in total. Films produced using resources from the program have achieved international recognition. Such was the case with the feature-length film "Girimunho", by Helvécio Marins,

which won awards in 2011 at the Venice, Mar Del Plata and Nates film festivals.

Sponsorships aimed at maintaining museums (such as the Arts & Crafts Museum in Belo Horizonte, Minas Gerais; Inhotim Museum – Contemporary Art Institute and Botanical Garden, in Brumadinho, MG; and the Museu do Oratório – Oratory Museum – in Ouro Preto, MG), permanent cultural centers (such as the foundations: Fundação Artística and Fundação Clóvis Salgado/Palácio das Artes in Belo Horizonte – MG) and projects to encourage reading (such as "Sempre um Papo" and the Ouro Preto and São João Del Rey Literary Fairs) were continued. With regard to music, jazz has seen growth in its number of fans over the past five years and Cemig sponsors festivals in Belo Horizonte and in the interior, such as I Love Jazz in Ouro Preto – MG and ViJazz in Viçosa – MG. The partnership with the Minas Gerais State Department for Culture, as part of both programs, guarantees the assertiveness of the



sponsorships, supporting strategic demands and adding value to the Company's brand and reputation with regard to corporate citizenship.

Aware of the need to grant its internal public access to forms of cultural expressions, the Company has maintained its Art Gallery for about thirty years. With an external curator, monthly expositions are selected and contribute to making Cemig's Gallery the best non-commercial art gallery in the State of Minas Gerais. In 2011, there were eight expositions and a special exposition by artist Fernando Veloso commemorating Cemig's 59 years.

In the realm of sports, continuation of the sponsorship of the Under 20 project run by América Futebol Clube produced excellent results as the team won the Brazilian Championship in that category. The other projects

in the portfolio, which are selected and operated in various municipalities at the recommendation of the State Department for Sports, are: the 3rd year of rugby training and the nautical sports project Versol run by the Grael Institute. They resulted in Cemig winning the Corporate Friend of Sports award, regional category, presented by the Ministry of Sports. 2011 ended with a total of 14 projects and R\$ 3.4 million invested through the sports law.

The partnership with SERVAS – the Social Volunteer Service, was continued, sponsoring the Vita Vida and Valores de Minas projects. The former is aimed at combating hunger by providing balanced meals for 3,200 children/month and the latter at improving self-esteem and personal growth among thousands of students enrolled in the state schools by means of Cultural activities.

Versol Project – Sailing Tournament in Três Marias

In January of 2012, as a result of the 2011 project, the reservoir at the Três Marias Hydroelectric Power Plant in the Northwest of Minas Gerais, was the first reservoir in the Country to host the 38th Brazilian Laser Class Sailing Championship, which is an Olympic-style event featuring a crew of only one athlete. The tournament saw the participation of a record number of sailors for a nautical event held in Brazil.

A benchmark in the electric sector, the Versol Project invests sporting initiatives, environmental education and professional training for youths between the ages of 9 and 24 years old from public schools in the region. Conceived by Cemig in partnership with the Três Marias City Hall and the Rumo Náutico Institute, run by the brothers Axel, Lars and Torben Grael, for almost two years the project has been offering practical and theoretical classes in swimming, sailing (Dinghy and Optimist classes) and rowing. Roughly 150 students graduate from the program each semester.

Cemig has been recognized as a "Corporate Friend of Sports", having received this title from the Ministry of sports for its support of sports projects for both able-bodied athletes and those with special needs, including the Versol Project.

Social Development Projects

Cemig, as a public utility company, must play the role of social and economic development catalyzer within its area of operations. Therefore, universal access to services for users within its concession area is among the Company's priorities, which is demonstrated by the results achieved through the Luz para Todos and Clarear programs.

EU23

Luz para Todos Program

As a result of the extra effort made by the company to meet the deadlines and goals established in the Term of Commitment signed with the Ministry of Mines and Energy, in 2011 Cemig began the 3rd Stage of the Luz para Todos Program, which included over 25,000 service jobs and was concluded in December. This 3rd Stage involved investments on the order of R\$ 393 million, 23% of which was provided by the Federal Government and 77% by the State Government together with Cemig. The Program benefitted 45,125 properties in 2011, achieving its objective of bringing electric energy to rural properties.

The final goal of the Luz para Todos Program at Cemig, to supply electric energy to 285,000 rural family residences by 2011, was successfully accomplished.

This target included the program's three stages and encompassed all 774 municipalities within Cemig's concession area in the state of Minas Gerais.

The total investment of approximately R\$ 3 billion benefitted approximately 1,500,000 people, mainly in areas with a low HDI in the Eastern and Northern Regions of the State (Jequitinhonha and Mucuri Valleys).

Consequently, the Rural Service Rate (TAR) for Cemig EU26 Distribuição, achieved a rate above 98% in 2011. In the years 2010, 2009 and 2008 the TARs were 95.1%, 91.6% and 89.7%, respectively.

Clarear Program

The Urban Universal Access Program (Clarear) meets the demand for service to new consumer units in urban areas, even where there is a need for strengthening or refitting of the existing network. Begun in 2004, the Program's first mission was accomplished in December of 2006, when Cemig Distribuição was recognized by the regulatory Agency as providing Universal Access. More information about this program can be found at the Economic Dimension of this report, Investment item.

COHAB-MG – CONVIVER SOLAR PROJECT



Intelligent Energy Program

EU23

The goal of the Intelligent Energy Program is to comply with Law #9.991, of July 24th, 2000, passed by the National Electric Energy Agency (ANEEL) which determines that, annually, 1% of net operational revenues must be invested in Energy Efficiency Programs and research and development (R&D). The investment made in 2011 amounted to roughly R\$ 80.1 million. The projects in the Program are, in their majority, multi-year and feature a directive to undertake projects in low income communities, institutions in the hospital sector, public institutions and non-profit educational institutions in an effort to promote a culture of efficiency in the use of electric energy.

CONVIVER SOLAR PROJECT

The goal of this solar heating Project is to install solar water heating systems in the houses of the State of Minas Gerais Housing Company (COHAB-MG) with the goal of reducing the consumption of electric energy, especially at peak hours.

By the end of 2011, solar heaters had been installed in 15,000 residences with expected average consumption of 150 kWh/month. In addition, the residents will have their awareness raised, through campaigns, regarding the efficient, safe and economically viable use of electric energy.

It has been estimated that the project will allow for a reduction of up to 50% in the consumption of electric energy at the residences, thus contributing to a reduction in arrears and an improved quality of life for the residents.



Solar heating systems installed in COHAB-MG residences



Conviver Agent: visiting a consumer

CONVIVER PROJECT

The Conviver Project is bringing Cemig closer to those who live in low income communities in the Metropolitan Belo Horizonte Region and in the interior of the state. The objective of the Project is to reduce consumption and demand for electric energy and thereby help to preserve the environment and lower the cost of energy bills for low income families, adjusting consumption to meet the consumers' ability to pay, and reducing wastage.

As part of this effort, in 2011 6,000 shower heads, 1,150,000 lamps and 24,000 refrigerators, all high consumption devices, were replaced with more efficient ones. In addition, the project saw the renovation of electrical installations and the donation of electricity meter pattern. The project also works towards raising environmental awareness by disseminating information and holding lectures on the efficient use of energy and on the reduction of environmental impacts caused by the incorrect utilization of natural resources.

The Project goes beyond mere legal obligations, functioning in a socially responsible way, spreading information on combating wastage and the safe use of electric energy in an effort to contribute towards sustainability throughout the value chain.

The Project has had an impact on the community supporting 310,000 families, creating jobs and providing access to the Social Tariff (a special low tariff for families with lower incomes), in addition to reducing the cost of their energy bills.

- **Criteria for Replacing Lamps:** all the families that were visited may have their incandescent lamps replaced with low consumption fluorescent ones, up to a maximum of five.

- **Criteria for Replacing Refrigerators and Shower Heads:** Cemig client (connected in a regular/legal manner); have been visited by a Conviver Agent; in the case of refrigerator replacements, have a refrigerator in poor condition; in the case of shower heads, have four or more residents in the house and electrical wiring in good condition.

CONVIVER RURAL – JAÍBA PROJECT

Through a partnership with EMATER-MG – the Technical Assistance and Rural Extension Company of Minas Gerais, with CODEVASF – the São Francisco and Paranaíba Valley Development Company and with DIJ – the Jaíba Irrigation District, the Conviver Rural Project – Jaíba was created with the goal of upgrading the Irrigation Systems on small family farms in the Jaíba Project that have been in use for at least fifteen years. Considered the largest irrigation project in Latin America, the Conviver Rural - Jaíba Project is updating and modernizing the irrigation systems at small family farms located around the irrigation perimeter of this locality, in the North Region of Minas Gerais.

With drip and micro-spray irrigation systems, Cemig is helping the farmers that employ irrigation to save energy and water, thereby adding value to their products and contributing towards the continued population of the countryside.

The Project will result in an increased utilization rate on the farming plots and increases productivity and income for small producers. In addition, it will promote the economic and social development of the region, thus contributing to an improved quality of life.

The efficient use of energy and water, through the replacement of obsolete irrigation systems with more efficient ones results in savings of approximately 57% in energy and 44.5% in water. In 2011, through an improvement to the project, the goal was raised from 1,044 systems to 1,305. 424 systems were replaced this year, with investments of R\$ 5.4 million. The replacement of obsolete irrigation systems with more modern ones will result in savings of 3,651 MWh/year.

As part of the effort to replace electric shower heads at public institutions, through to 2010 seventy diagnostics/executive projects had been undertaken at hospitals through the Solar Hospital Project and five hundred diagnostics/executive projects had been carried out at retirement homes through the Solar Retirement Home Project. In order to select the retirement homes that were to benefit, a partnership was formed with SERVAS – the Volunteer Social Assistance Service. Among the institutions that have benefitted is Santa Casa de Juiz de Fora which, alone, will receive one of the largest solar water heating systems in Latin America, featuring 1,284 m² of collector plates.

The goal of the Autoclaves Project is to improve energy efficiency at the Sterilized Materials Centers in hospitals. Obsolete sterilization equipment used in clinical and surgical procedures which have long sterilization cycles are being replaced with modern autoclaves which feature 35-minute cycles and a greater capacity. These characteristics allow for shorter sterilization times, thus allowing for the equipment to not be operated during peak hours in the electrical system. The savings obtained will contribute towards a reduction in the operational expenses of the hospitals covered and will also help with the effort to reduce global warming. The installation of the equipments is scheduled to be concluded in June 2012.



Rural producer benefited by the Conviver Rural Project – Jaíba

Another important Project is the Iluminação Project, which has the goal of increasing energy efficiency in the lighting systems in hospitals. Reactors, lighting fixtures and lamps in the lighting system in hospitals will be replaced. The new equipment will allow, in addition to energy savings, for a remarkable improvement in the quality of the lighting, providing the entire clinical staff and the patients at these institutions with greater comfort and safety when performing medical procedures. The installation of the equipments is scheduled to be concluded in August 2012.

Another noteworthy project in the field of education is Cemig at School (Procel), which is a program aimed at educating students about the efficient use of energy and natural resources, with a focus on reducing electric energy wastage, in accordance with the criteria established by the Procel program run by the Ministry of Mines and Energy. The Project adopts the “Landscape Nature - Energy” environmental education methodology in order to provide communication between teachers and students in both primary and secondary schools. This approach addresses issues such as reducing of electric energy wastage, environmental protection

and the safe use of electric energy. The educational materials are provided free-of-charge to the schools in the Project.

The Municipal Energy Management Program (GEM-Cemig) was launched at the end of 2011 and will bring a culture of energy efficiency to 50 municipalities in Minas Gerais. The municipalities were selected based on the lowest Human Development Indexes (HDI). 50 agents from the utility and a further 154 municipal technicians will be trained in the Eletrobrás/PROCEL – IBAM methodology for drafting Municipal Electric Energy Management Plans (PLAMGEs). The trained technicians will utilize their knowledge to develop the PLAMGEs and proposals for energy efficiency projects to be executed in the consumer units in the municipalities. By doing so, the project will be promoting the efficient use of energy among public powers. The total investment in the project will be about R\$ 1.6 million. R\$ 300,000 were invested in 2011.

See the summary or the major energy efficiency projects in the table below:

Projects	Investment Made	Benefitted (2011)	Energy Economy (2011)
Conviver Solar	R\$ 7.2 million*	3,380 systems*	1,506 MWh
Conviver Rural	R\$ 5.4 million*	424 systems replaced	3,651 MWh
Conviver	R\$ 22.7 million*	132,327 residences and 1,600 NGOs*	31, 122 MWh
Solar Hospital	R\$ 2.5 million *	4 institutions	285 MWh
Solar Retirement Home	R\$ 6.7 million*	44 systems	565 MWh
Autoclaves	R\$ 8.0 million*	32 hospitals	4,257 MWh
Iluminação Project	R\$ 1.1 million*	22 hospitals	2,792 MWh

(*) approximate figure

Social Tariff Booklet

In December 2011 Cemig, in partnership with the Minas Gerais State Public Defender’s Office, launched an explanatory booklet with the objective of providing information for consumers on the discounts available through the Social Electric Energy Tariff.

Roughly 760,000 families have registered in order to obtain this benefit on their Cemig bills and the Company estimates that approximately 1.3 million residences may eventually be covered. In order to receive the discount, the client must have a per capita income of up to one half of the minimum wage, be enrolled with the Federal Government’s Single

Social Program Registry (CadÚnico) and have a Social Identification Number (NIS) or have a Continued Social Assistance Benefit Provision (BPC).

Further information is available at the following Internet address:

http://www.cemig.com.br/Atendimento/Paginas/Tarifa_Social.aspx

AI6% Program

The AI6% Program is a partnership between the Cemig Intermanagerial Association (AIC) and the Integrated Social Actions Project (ASIN) and has the goal of encouraging employees and retirees to transfer 6% of

their income tax owed to Childhood and Adolescence Funds. The funds are collected and distributed to various social projects that are part of the Program, such as the Pedra Azul Social Project, which offers drama and ballet classes for roughly 75 youths from 3 to 17 years old in the city of Pedra Azul, and the creation of a "Toy Library" at APAE – the Association of Parents and Friends of People with Special Needs, in the town of Três Pontas in Minas Gerais.

The 2011/2012 campaign for the Program was run for 24 business days, during which 2,496 Cemig employees participated, making contributions that resulted in the collection of R\$ 1.5 million reais which will be distributed among 218 Social Institutions and 113 Municipal Child and Adolescent Councils (CMDCA's).

In 2011 07 new councils and 13 new institutions were created.

EVOLUTION OF THE AI6% PROGRAM - 2007/2011

Year	Collected R\$ thousand	Number of employees	Number of Institutions	Number of Municipalities
2007	1,243.1	2,619	139	80
2008	1,573.0	2,848	147	88
2009	1,606.0	2,621	193	105
2010	1,372.0	2,326	205	107
2011	1,550.0	2,496	218	113

External Communication

With the objective of establishing the main drivers and criteria for the corporate decisions that involve the announcement of initiatives implemented in the communities where the Company operates and in order to ensure proper understanding by the publics with which it relates, in 2009 Cemig's Communication with the Community¹⁵ Policy was launched.

PR6 Cemig observes the recommendations of Aberje (Brazilian Corporate Communication Association) and follows its own Strategic Communication Plan, which calls for specific communication approaches for each stakeholder group. Communication must reflect the Company's Mission and Vision, in addition to its values and strategies. The Company's publicity campaigns

are conducted by companies that follow the Brazilian Self-Regulation Publicity Code, which is regulated by Conar (National Self-Regulation Publicity Council).

The Company did not register any instances of non-compliance for 2011 with regard to marketing, **S07** publicity, promotional and sponsorship communication actions, nor were any administrative or legal actions taken against it for competition-related infractions (antitrust, monopoly or unfair business practices). **PR7**

Due to the fact that it is an open capital company, **S06** and in the face of the juridical norms it abides by, the Company cannot and does not make financial contributions to politicians, political parties or any institutions related to them.

Digital Reputation Program

The goal of this program is to direct and promote Cemig's reputation on the Internet and in social media through the dissemination of official information. The process consists of informing, listening to and dialoguing with stakeholders. To build an environment of trust and confidence, Cemig acts with accountability, agility and listen to its stakeholders in order to strengthen the relationship.

The program is also intended to contain the repercussions of any crises created in the digital media, and/or originating from other media, which end up being debated in social media. Cemig's digital reputation generates value and is a means of reformulating the company's actions and strategies in order to improve processes and products and to furnish reference points and promote safety. With the power accrued by social networks on the web and the ease with which information is disseminated, Cemig monitors these environments and works multidirectional communication with all players with which the company relates.

¹⁵ <http://www.cemig.com.br/sites/en/Sustainability/Pages/CommunicationCommunity.aspx>

Clients and Consumers

Cemig always seeks to establish a respectful and courteous relationship with its clients aiming at being recognized for its excellence in the services rendered and in the relationship with stakeholders. One of the Company's principles is to offer reliable energy at a cost that is compatible with society's needs.

The Company's main relationship channels with its clients and consumers are: Fale com a Cemig; Customer Service Agencies; Relationship Agents; Simplified Service Centers (PAS); the Consumer Council; the Ombudsman Office, Cemig Fácil and the Virtual Agency.

Beginning in 2011, consumers in Minas Gerais were given another way for communicating with Cemig: a cell phone text message (SMS) system for requesting services from the Company was unveiled. The service is free to use and covers requests related to a lack of energy, sending in meter readings and consulting recent debits.

For further information please visit:
<http://www.cemig.com.br/SalaDeImprensa/Paginas/ClientesSolicitarServicosMensagensCelular.aspx>

In September of 2011 Cemig concluded the Representativeness Project with the installation of Cemig Fácil Service Agencies and Cemig Fácil Service Centers in all of the 774 municipalities in the Company's concession area in Minas Gerais.

This was the result of work aimed at ensuring that Cemig moved even closer to its consumers, resulting in greater comfort and timeliness when dealing with their demands and achieving the strategic objective establishing the client as a corporate value.

Arrears in bill payments were the reason behind 1,784,631 suspensions of electric energy supply in 2011. After paying all bills in arrears, reconnection was established, on average, in under 48 hours for 69% of the installations as can be seen in the table below:

Duration of Service Interruption	Quantity per service interruption time
<48 hours	1,223,223
48 hours - 1 week	295,558
1 week - 1 month	156,261
1 month - 1 year	109,562
> 1 year	27

EU27



ASIN – GROUP OF CHILDREN



Regarding the total time spent between payment and reconnection, article 176 of the respective Aneel resolution establishes that the distributor must reestablish electric energy service: within 24 hours for normal reconnection of a consumer unit located within urban areas; up to 48 hours for a normal reconnection of a consumer unit located in rural areas; up to 4 hours for an urgent reconnection of a consumer unit located in urban areas; and up to 8 hours for urgent reconnections at consumer units located in rural areas.

Cemig also surveys the satisfaction of the Medium voltage clients in terms of the quality of the energy supply, customer service, other services and the information provided. The target public consists of those responsible for dealings with Cemig at the units covered.

The first survey was conducted between October 27, 2010 and January 13, 2011 and resulted in a Medium Voltage Client Satisfaction Index (ISMT) of 78.7%. Aiming at improving the satisfaction level of this consumer class, an Action Plan for the improvement of results was devised, implemented and monitored. The second survey is scheduled to be held in January 2012.

The purpose of the Cemig Consumer Council is to represent and defend the interests of consumers, both of individuals and groups, before the Company. One of its main focuses is to improve the services rendered to consumers, considering the vision held by involved segments. It is possible to send suggestions, cooperate with inspections and file reports and complaints with

Cemig. The web address through which one is able to interact with the Council is: <http://www.Cemig.com.br/ConselhoDeConsumidores/Paginas/default.aspx>.

In 2011, in addition to the 05 ordinary meetings and 02 extraordinary ones held to analyze, propose alternatives, learn about and monitor issues concerning electric energy supply, tariffs and the services rendered to all consumer classes, the council also took part in the activities of the Brazilian electric sector regulatory authorities.

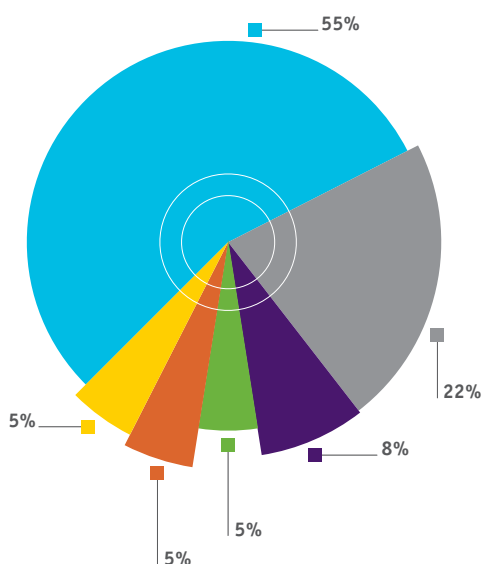
Cemig Ombudsman

The Ombudsman's Office is a service channel that operates in an impartial manner and is a bridge that gives voice to consumer concerns and works to ensure that efforts are made internally to improve the services rendered. The ombudsman can be contacted via telephone +55 (31) 3506-3838, e-mail (ouvidoria@Cemig.com.br) or the Company website <http://www2.Cemig.com.br/ouv20a/>.

Since May, 2011 the Ombudsman began recording all contacts made in its specialized system. This new procedure has allowed for improvements in management, as it goes beyond complaints and handles requests with different classifications that are organized as per demand, which allows for greater detail in the registry, which in turn facilitates interaction with the areas involved in the search for solutions and responses for each call. The figure below shows the main causes of complaints and requests for information.

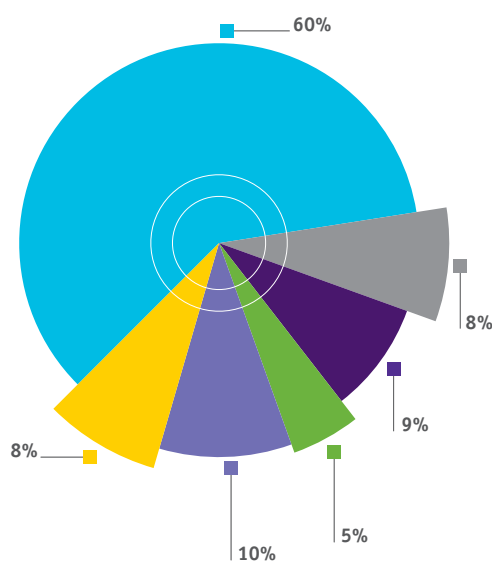


COMPLAINTS



- Various issues
- Billing irregularity
- Lack of energy at the consumer unit
- Compensation for damages
- Meter reading
- Request for connection

INFORMATION



- Various issues
- Billing irregularity
- Lack of energy at the consumer unit
- Compensation for damages
- Communication of debt
- Connection request

It is important to note that on December 13th, 2011 Aneel published Aneel Normative Resolution 470/2011, which regulates Ombudsman services at electric utility companies. For further information, please access the site: www.aneel.gov.br/cedoc/ren2011470.pdf

Consumer Service Channels

The Consumer Service Center (CAC) represents the first contact between the Company and its clients and consumers. It brings together various communication channels, whether they are the Internet (chat and



e-mail) or telephone. The number of service-related contacts in 2011 was 131,473 via chat, approximately 53,000 by e-mail and over 14,000,000 via telephone.

- **EU24** The Company also offers service and interaction with consumers that have special needs and has upgraded

its Customer Service Agency facilities to comply with accessibility norms (ABNT-NBR-9050) and has an on-line chat service via the Virtual Agency. Cemig also offers the option of having energy bills delivered in Braille. Other consumer interaction channels are described in the table below.

CONSUMERS AND SOCIETY – COMMUNICATION CHANNELS

Channels	Objective	Access	Observations
Website	Information on energy savings	http://www.cemig.com.br/sites/en/Pages/default.aspx	In addition to Portuguese, the service is available in English and Spanish
Energy Bill in Braille	Allow visually impaired consumers to monitor and control their electric energy consumption.	Request by dialing 116 – Speak with Cemig	767 clients registered with Cemig to receive the energy bill in Braille.
Speak with Cemig (telephone, e-mail, fax and SMS)	To facilitate client access to the Company	Telephone numbers: 116 or 08007210116, atendimento@cemig.com.br ; Fax: 55 (31) 3506-7222.	ISO 9001/2000 Certification; 395 service positions with more than 1,000 attendants; from 50,000 to 80,000 calls are received in a day.
Ombudsman's Office	To watch over the citizens' right to be heard by standing as their voice in the Company	http://www2.cemig.com.br/ouv20a/Default.aspx and ouvidoria@cemig.com.br , as shown in all Cemig electric energy bills. 55 (31) 3506-3838	ISO 9001/2000 Certification.
Service Agency	To facilitate client access to the Company	156 own agencies.	Average of 500,000 customer contacts a month.
Service Centers	Installation of physical Representatives: In-person service in all municipalities within Cemig's concession area, facilitating access for the Company's clients	621 registered service sites – PAs	Services offered at the Cemig Fácil Service Sites: issuance of copy of bill or other documents; location for the delivery of bills as requested by consumer; delivery of prepaid form that is used by customers to request services or make complaints. An average of 46,000 service contacts/month.
Cemig Postal	Specific channel for simpler commercial services, via the Post Office	800 postal boxes scattered all throughout the State of Minas Gerais.	Prepaid post forms, available at the Cemig Fácil sites, for changing names, altering consumer information, requesting new connections, making complaints and suggestions.
Cemig na Praça (Cemig On the Go)	Itinerant service structure providing clarifications, forwarding service requests and attending to customer demands.	Office set up in a central square or place in smaller towns with a team of electricians, service personnel and an operations technician to serve the population.	
Mobile Service Agency Project	Trailer equipped with a Mobile Service Agency, rendering services to commercial clients.	Specific channel for commercial services.	
PAS – Simplified Service Agency	Partnership between Cemig and city halls	90 PASs throughout the state with services rendered by the city halls' own clerks, who are trained by Cemig's agents.	
Other Communication Channels	To promote the broad dissemination of information on the Company to society at large.	Communication and dissemination channels for publicizing campaigns on the radio, TV, billboards, buses, print media, the Company's newspapers – Energia da Gente and Cemig Notícias, the Internet (http://www.cemig.com.br/sites/en/Newsroom/Pages/Newsroom.aspx), Cemig TV (shown internally and on a broadcast TV program)	

Consumer Satisfaction

- **PR5** The ABRADÉE Urban Residential Consumer Satisfaction Survey (ISQP) and the Aneel Residential Consumer Satisfaction Survey Index (IASC) represent the degree of residential consumer satisfaction with regard to the services rendered by the electric energy distribution

utility company. In the survey Aneel recorded in increase from 2009 to 2010 in the IASC indicator, which rose from 68.14% to 70.25%. With this score, Cemig was ranked second position in the category for the award for companies in the Southeastern region with more than 400,000 consumers.

In the ABRADÉE survey, Cemig registered the same result in 2011 as in the previous year, with an ISQP of 80.5%.

Since 2009, a survey has been conducted annually among the city halls in the State of Minas Gerais which reflects clients' evaluations with regard to the relationship/service, the quality of the services rendered in terms of the supply of electric energy, information and orientations from the Company, Cemig's institutional image, globalized revenues, work/service, social/environmental responsibility and negotiation of bills in debts.

This survey is conducted over the Internet and in person and the respondents are the legal representatives of the municipalities: mayors, deputy mayors, secretaries and cabinet heads. In 2011, of the 774 municipalities in Minas Gerais, 716 participated in the survey.

Year	Satisfaction Index among City Halls
2009	71.6%
2010	79.8%
2011	84.1%

Information Security - Client and Consumer Data

PR8 In 2011 the Information Security Administration office (ASI) was not requested by the different areas of Cemig to conduct any type of investigation into privacy violations or losses of client data.

The Company has a Corporate Policy that establishes means of protecting privacy and preventing any use of information of clients and consumers that has not been previously authorized. In addition, it informs and guides employees in the commercial and information technology areas with regard to this Company Policy.

In 2011 significant improvements were made to the Information Security System, such as a series of penetration tests and an analysis of the vulnerabilities in the applications that Cemig makes available over the Internet. Improvements were also made in the information classification system, making it possible for managers to update information regarding the data under their responsibility related to new processes, sub-processes, information and level of confidentiality.

A process was also begun to improve the information classification system with the goal of achieving greater efficiency and precision when identifying organizational changes or changes related to those involved in the process (managers and personnel responsible for revision and approval).

In 2011 the awareness campaigns were intensified and involved online training (through online games); an event focused on cyber security; and four editions of the RADAR online newsletter featuring procedural tips, warnings of vulnerabilities and the dissemination of knowledge regarding Cemig's Information Security Policy.

SUPPLIERS AND CONTRACTED PARTIES

Because of its legal nature and status – a mixed **EC6** economy company – Cemig is subordinate to the Law 8.666¹⁶ of 1993, which instituted norms for bidding processes and contracts involving Public Powers with the obligations being extended to mixed economy companies. Therefore, Cemig cannot stipulate and promote distinctions and preferences for contracting suppliers in function of their nationality, domicile or headquarters' location.

Cemig's materials suppliers and service providers were honored at the Cemig Suppliers Award Ceremony, second edition, which was held on June 9, 2011. The award encourages suppliers to improve quality in the supply of goods and services and also recognizes the synergy between Cemig and its suppliers in their effort to achieve common goals.

For the 2011 Edition of the Cemig Suppliers Award, only those suppliers that had Purchase Orders or Contracts with Cemig between July and December 2010 were entitled to participate, totaling 448 companies as shown below:

- 425 suppliers of materials for the electric system at Cemig and its subsidiaries
- 23 suppliers of distribution services (contractors) for Cemig Distribuição.

¹⁶ http://www.planalto.gov.br/ccivil_03/Leis/L8666cons.htm

Awards were presented to 19 materials suppliers and 6 service providers that presented noteworthy performance in 2010, based on criteria such as quality, safety, guarantee and price.

Another 10 companies did achieved the level of excellence in "Assured Material Supply", in addition to the 15 that

received awards in 2010, which allows them to deliver and bill for materials supplied without the need for prior inspection by Cemig.

At the 2011 edition of the ceremony, among those receiving awards, a special award was presented to the supplier with the most outstanding Social Responsibility program.

Cemig Supplier Citizen Program

At the Cemig Suppliers Award ceremony Cemig launched its Citizen Supplier Program. The main objective of this program is to encourage social development in the local communities where the Company has presence. Suppliers registered with the Company are given incentives to contribute towards Childhood and Adolescence Funds, which are organizations controlled by the State and Municipal Councils.

Voluntary participation by the suppliers reflects alignment between these stakeholders and the principles and values in which Cemig believes and that are stated in its Corporate and Social Responsibility booklet, especially with regard to Human Rights – Practice 6, which highlights engagement by the Company in an effort to foster social development.

Supplier Development

Compliance with the requirements related to quality, the environment, occupational health and safety and the acquisition of goods and services is verified by Cemig through an Industrial Technical Assessment (ATI) for materials manufacturers and a Technical Assessment of Contractors (ATE) for service providers.

As part of these assessments, in addition to aspects concerning the production of goods or the rendering of services, other items related to legal Social Responsibility are taken into account, in compliance with the drivers provisioned by the SA 8.000 Norm and the Global Compact, such as: child labor, forced labor, degrading labor, enhancement of social diversity, benefit programs for employees, client service and the development of volunteer social projects.

In 2011, 97 ATI (Technical Industrial Assessment) visits, 48 ATE (Technical Assessment of Contractors) visits were made and 9,656 inspections of materials were conducted, accounting for all purchase orders made by Cemig and its enterprises and entered into the areas' specialized system.

As the Company is concerned with increasing respect for Human Rights, when registering with Cemig, every company has to attach to its documentation a declaration that it does not employ minors (younger than 18 years

old) in nocturnal shifts, hazardous or unhealthy work or anybody younger than 16 (sixteen years old), in any function, in compliance with the provisions of subsection V of Article 27 and paragraph/subsection XVIII of Article 78 of Law 8666 of June 21st, 1993, on letterhead dated and signed by the company's legal representative, as required by law.

Bidding processes, related procurement contracts and their management ensure the existence of legal requirements aimed at guaranteeing compliance with labor and occupational safety, hygiene and health legislation systems and the preservation of the environment. Therefore, all service procurement contracts feature clauses related to health and well-being.

The Company also instituted a mechanism to foster the adoption of the best socio-environmental, health and safety and well-being practices on the part of service providers and suppliers, by establishing a reduction of the contract penalties in the event the supplier has presented, on any date prior to the event that led to the application of the contract penalty, a proof of items such as ISO 9001, ISO 14000, OHSAS 18001, a Personnel Turnover Rate smaller than or equal to 5%, among others. The reduction applied to the penalties may come to be as much as 50%, depending on the supplier's socio-environmental performance.



HR6
HR7

EU16

HR2

Training Suppliers in Occupational Health and Safety

EU18

In 2011, occupational psychology made significant contributions by holding seminars aimed at the guidance and training of foremen and motorcycle-riding electricians from contracted companies. Lectures provided guidance on the importance of the role of foreman, in addition to information concerning traffic health and safety for motorcyclists. 50.7% of employees participated.

Training was given to 1,331 professionals from contracted companies, in parallel with the training offered by UniverCemig, through a partnership entered into with the National Industrial Learning Service of Minas Gerais (SENAI), the Federation of the Electric, Natural Gas, Water and Sanitary Utilities in the state of Minas Gerais (SINDIMIG) and the Federation of Industries of the State of Minas Gerais (FIEMG).

HUMAN CAPITAL MANAGEMENT

Cemig is aware that its human capital represents a valuable intangible asset that is fundamental to the sustainability of the Company, which is reflected in the construction of a better society. Therefore, Cemig is

always working to adopt the best people management practices.

Based on the principles expressed in its Human Resources Policy, the Company engages in continuous training and development and remunerates its employees in an advanced and competitive way, which includes a benefits package that promotes quality of life and well-being and establishes accident prevention and health as an institutional commitment.

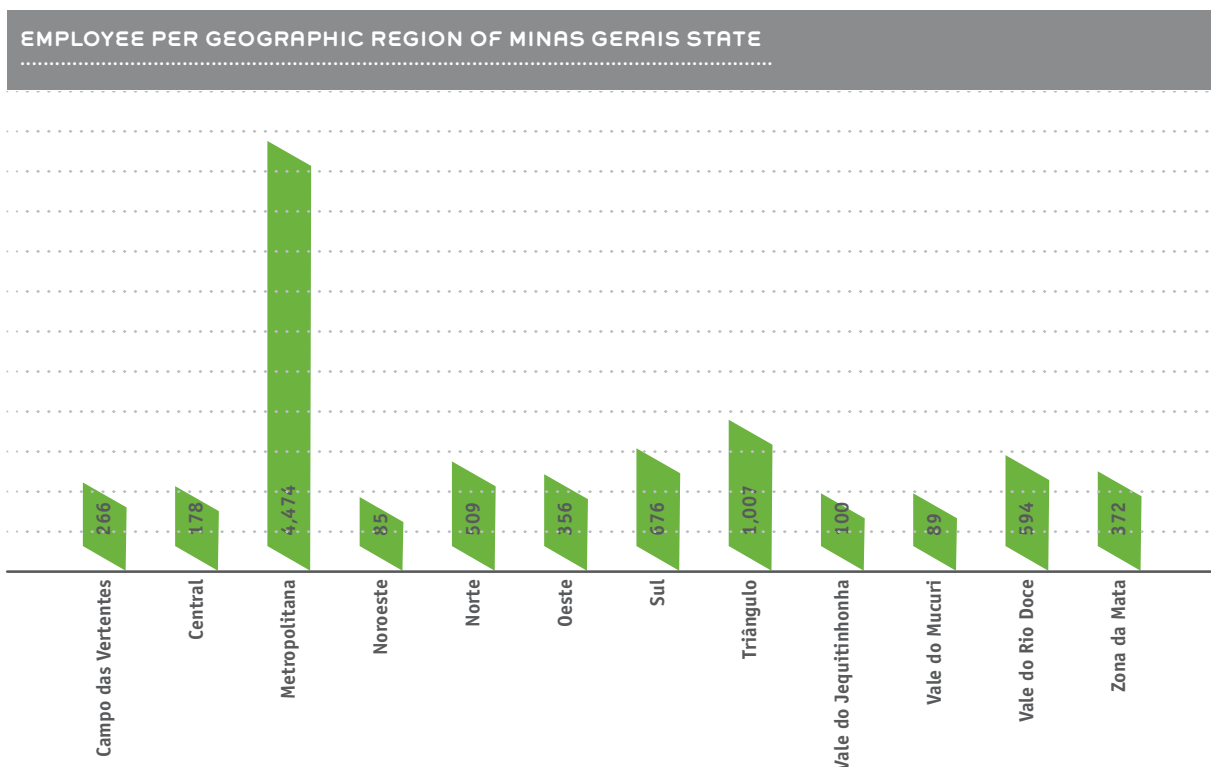
Therefore, in 2011 the Company took steps to improve the structure of its Corporate University (learn more about UniverCemig in the chapter on Training and Development), working hard on safety campaigns involving the population, as well as seeking to develop a closer relationship with contracted companies with the goal of strengthening the relationship with its suppliers and reinforcing a culture of safety among them.

Internal Public

Own employees

Cemig has 8,706 own employees, 233 of who work for Cemig Holding, 1,798 for Cemig Geração e Transmissão and 6,675 for Cemig Distribuição. The stratification of employees per mesoregion in the state of Minas Gerais is shown in the chart below.

LA1



- **EU15** Approximately 15% of employees will be entitled to retire in the next 5 years, and, for the 2017 - 2021 period, approximately 24% of the workers will be in the same conditions.

% of employees ready to retire per kind of work	from 2012 to 2016	from 2017 to 2021
Leadership position	17.8	35.5
Bachelor's degree	17.6	31.2
Technical and operation level	14.6	22.7

- **LA2** The turnover rate in 2011 was 0.99%, while the gender subdivision was 0.894 for men and 0.097 for women. Their classification per age group was: 0.129 up to 30 years; 0.090 from 31 to 40 years; 0.251 from 41 to 50 years and 0.521 above 50 years of age. 7 new employees were hired and 159 employments contracts were terminated. Among the terminations, 107 were due to employees taking advantage of incentive programs.

- **LA11** Through the Voluntary Dismissal Program (PDV), instituted in April of 2009 and wound up in 2010, 56 employees were dismissed in 2011, in accordance with the scheduled dismissal arranged upon enrollment in the Program. Through the Premium Termination Program (PPD), opened in 2008 and closed in October of 2011, and the Incentivized Termination Program (PDP), which is the only program of its type currently running in the Company, which was announced in November of 2011 to replace the PPD in order to comply with the new law regarding advance notice of dismissals, 51 employees were dismissed.

For all employees that wish to begin preparing for retirement, the Company offers preparation courses. In 2011, 6 classes were formed with a total of 205 participants.

Interns / Temporary Workers / CESAM

- **LA1** Cemig hired 344 interns and, in December of 2011, 420 collaborators were classified as temporary workers, which is a type of employment used to temporarily meet the needs of the work load when the organization has proven its inability to adequately reassign personnel and/or in the event that there is an extraordinary increase of the work load.

In 2003, Cemig entered into an agreement with Centro Salesiano do Menor (CESAM). The Cemig-Cesam Apprenticeship program is aimed at implementing an apprenticeship program at Cemig's facilities for 255 needy youths and features an employment link with Cesam, in conformity with Law 10.097/2000. The CESAM center is responsible for the theoretical training of the youths through the Auxiliary Administrative Services course and Cemig helps the youths to gain practical professional experience by allowing them to experience the reality of work at the Company. This partnership has contributed to increased social inclusion insofar as it helps these youths to prepare themselves for the labor market for youths in situations of social and personal risk. The adolescents are supervised by tutors at Cemig, which together with educators from the Center, monitor their performance in the activities proposed to them, evaluating behavioral aspects, efficiency, education and progress with regard to sociability.

Diversity and Equality of Opportunity

In its Declaration of Ethical Principles and Code of Professional Conduct, Cemig assure the commitment to value diversity and to not engage in or permit discrimination, whether based on apparent attributes such as race, gender and age, or on subjacent attributes such as religion and political ideology. In addition, the Company holds as one of its values respect for people's dignity and is a signatory of the Global Compact, which encourages practices that eliminate any type of discrimination at work.

Despite the Company's practices, 30 moral assessment law suits at Cemig or at its contracted companies were filed, along with 2 law suits in which the term discrimination was cited. There are no reports of child or slave labor. The Company is monitoring these law suits in order to, once they have been concluded, take applicable measures with regard to the respective issues.

In 2011 the percentage of employees that were women remained unchanged from 2010 at 13%, which translates into 1,131 women.

At the highest levels of management at the Company, composed of the Executive Board, Board

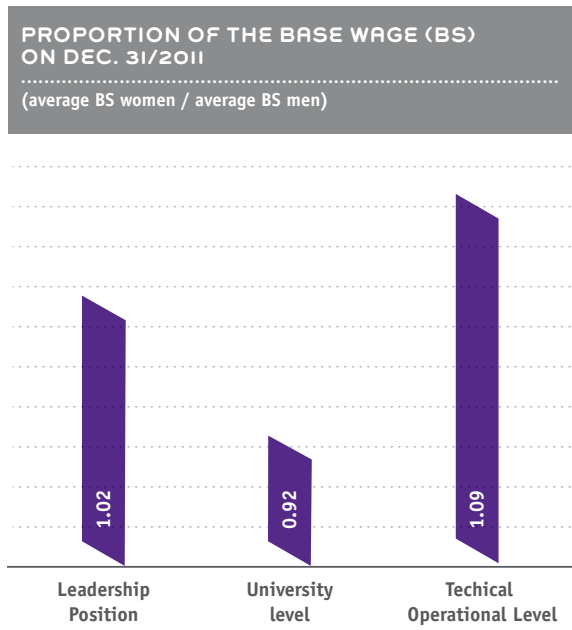
LA13

HR4



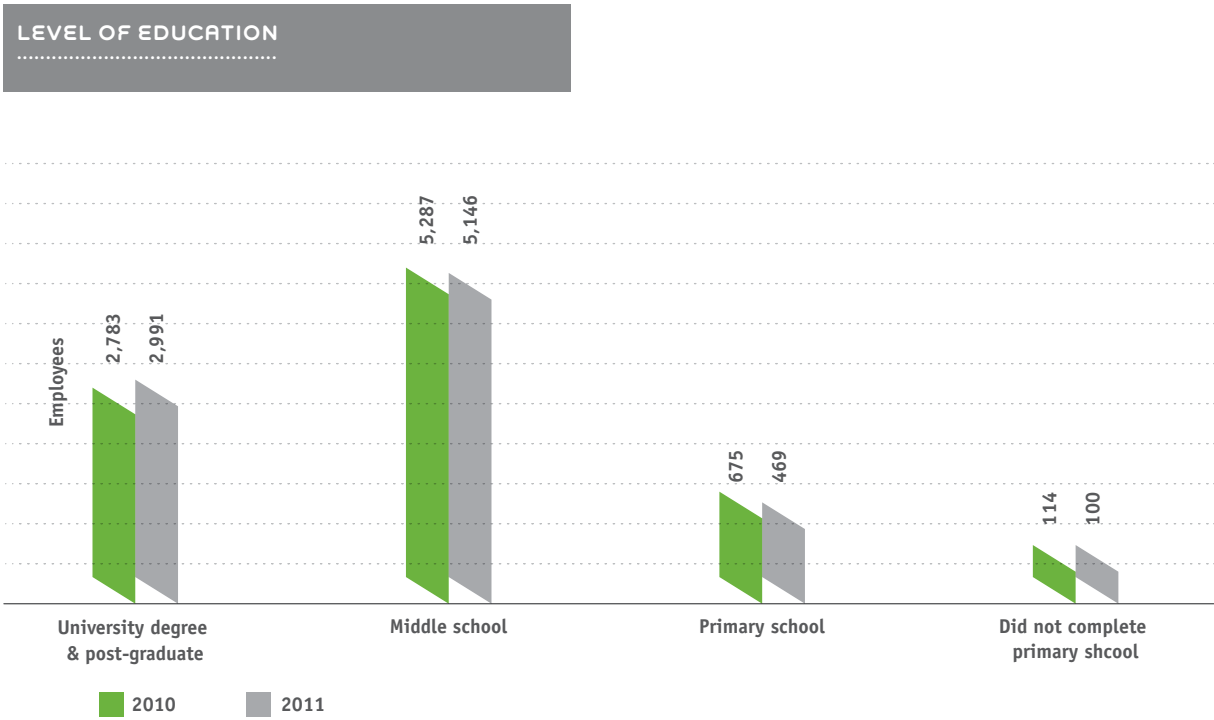
of Directors and Audit Board, women represent 10% of the effective members. With regard to leadership positions, women represent 12.6% of this group.

LA14 Cemig's Positions and Remuneration Plan makes no distinction between men and women that occupy the same positions, though there may be some variations resulting from employees' different levels of seniority. The graph below shows that the average Base Salaries on December 31 of 2011 for women that occupy leadership positions and women that hold technical/administrative/operational positions are higher than the respective averages for men, which is not the case with the averages for those occupying university level positions.

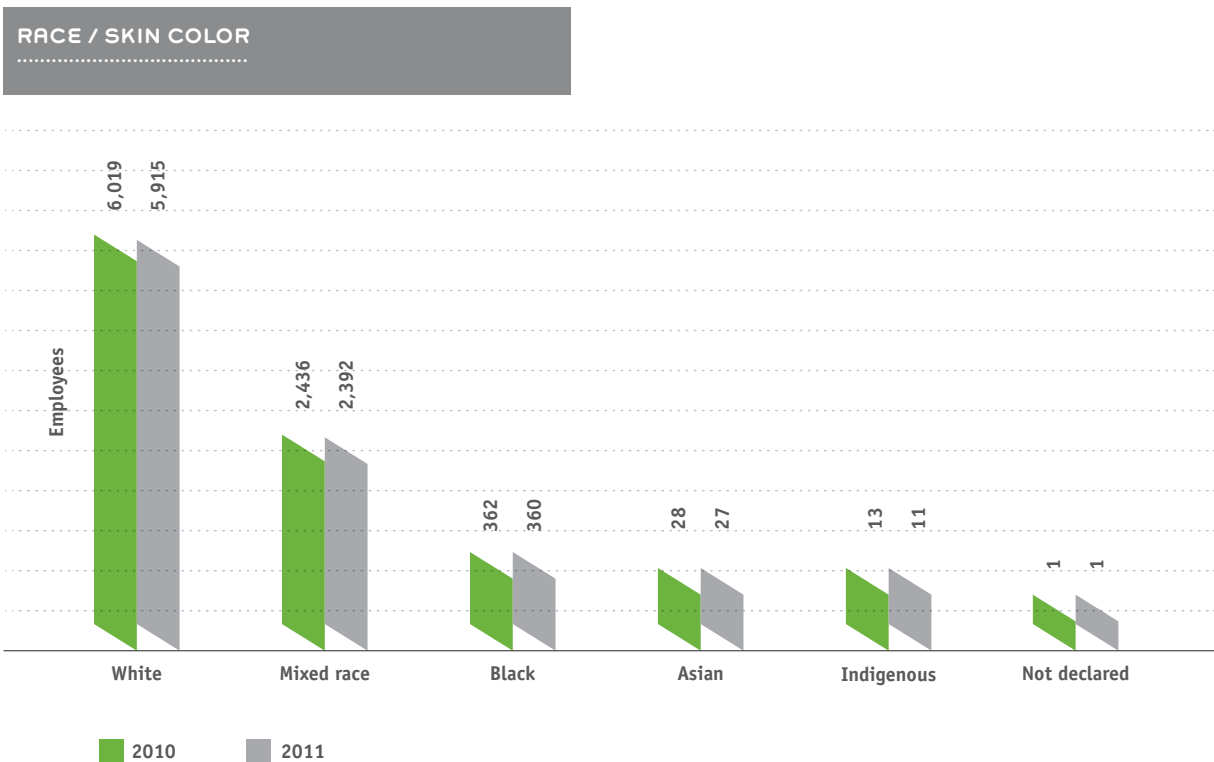


THE MINAS GERAIS STATE SYMPHONIC ORCHESTRA SPONSORED BY CEMIG

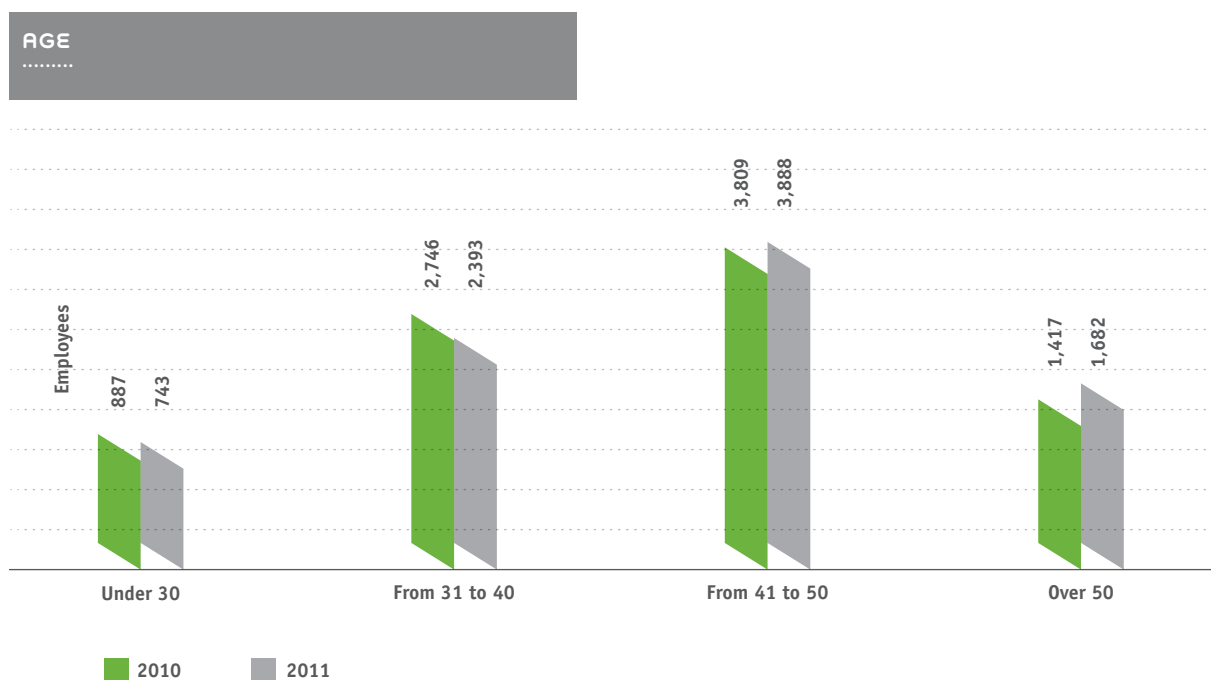
Regarding the level of education, 34.36% of the employees have a University Degree and Post-Graduate Certificate, 59.11% have graduated from secondary school and 5.39% have graduated from Primary School. There was no significant change in these percentages in comparison with the previous year, except by workers from middle school.



The graph below shows a comparison between 2010 and 2011 for the race/skin color of Cemig’s employees and shows that there was practically no variation in the percentages. Blacks and people of mixed race occupied 13.77% of the leadership positions at Cemig.



As can be seen in the graph below, the largest age group at Cemig is that of between 41 and 50 years of age.



When managing its admission tests, Cemig reserves 10% of the total number of positions available for people with special needs, in compliance with State Law #11.867/95. There are 47 people with special needs in its workforce, which represents 0.5%. These numbers represent the reality in the Company in function of its legal status and nature and its work environment, which limits the opportunities for people with special needs due to the strong link with electric risks.

TALENT MANAGEMENT

EC7 As Cemig is a mixed economy company, there is a legal necessity to conduct public admission exams when hiring new employees. For this reason there is no specific directive governing local hiring practices.

The promotion of employees from the Administrative Operational Technical Plan (PTAO) to the University Level Plan (PNU) may only occur through an internal selection process, which is conducted in a similar way to that for external hirings.

In an effort to reconcile the company's needs with the career development expectations of the employees, Cemig periodically engages in an internal inter-career

mobility process, which provides employees with a path into a professional career that is of interest to them through internal selection and public selection process.

In 2011 a specific internal mobility process was launched in order to meet demands from areas that deal with clients. This saw the promotion of 18 employees, who took advantage of the internal selection process conducted in 2010 and which was ongoing at the time of the promotions. A new, broader round public admission selection process, which will cover approximately 800 positions, is currently being prepared. These new admissions will breathe new life into the workforce and ensure that it is adequate for the tasks at hand.

In addition to mobility and internal selection, vertical and horizontal promotions, in accordance with the rules of the Positions and Remuneration Plan (PCR), the designation of employees for leadership positions and the classification of university level employees as specialists are also among the talent management tools adopted.

With the goal of managing talent for leadership positions, Cemig has been running the Succession Management program since 2007. The program is aimed at planning for the replacement of people in

leadership positions, thus making it an appropriate tool for identifying potential successors with profiles that are appropriate for the competences required. Currently, 37% of Cemig's leadership staff have come from the Succession Management Program. In December of 2011, this program won the 2011 Fundação COGE Award in the "People Training and Development" category.

Cemig is also structuring a management program for its technical talent, which will be identified using objective, previously defined criteria.

PERFORMANCE MANAGEMENT

LA12 Performance Management at Cemig is based on the competences model and works as a link between the organization's strategy and the other people management processes at the Company.

One of the tools used in the process is the Performance Assessment, which is conducted annually for all employees, except those that occupy leadership positions.

It is through the Performance Assessment process that gaps in the technical and behavioral competences of each employee are identified, thus making it possible to draft Individual Development Agreements that establish the recommended training and development actions in a manner that promotes improvements in the performance of the professionals.

The entire assessment process is automated via an external supplier, thereby guaranteeing the inviolability and reliability of the information. The assessment is conducted, simultaneously and quickly, by the Company's employees that are involved in the process.

This is followed by the feedback process, during which employees and their superior conducting the assessment discuss the results, development actions and career prospects at the Company.

Implementation of the assessment process is planned

for 2012 for those that occupy leadership positions, which will complement their assessment based on the goals achieved.

REMUNERATION AND BENEFITS

Cemig seeks to remunerate its employees in a **LA3** competitive way and use a Positions and Remunerations Plan (PCR) in which the positions are described in terms of their nature and complexity, as well as in terms of the knowledge requirements necessary to perform the related functions. Remuneration is defined based on evaluations of the positions, which are performed in accordance with a specific methodology.

Using the figures from December 31, 2012 as a base, the **EC5** ratio between the lowest base wage paid by Cemig and the minimum wage in force in the country is 2.86. This calculation is applicable to operational level employees, such as depot attendants. In terms of remuneration, the ratio is 3.8.

The PCR also establishes criteria for the granting of horizontal and vertical progression, which takes into consideration, among other factors, the employee's performance. During the 2010-2011 performance management cycle, 1,440 employees, representing 16% of the staff assessed, received individual wage modifications.

The PCR is revised periodically with the goal of ensuring its alignment with corporate strategies and the best market practices. In addition, remuneration surveys are conducted annually in order to ensure that employee salaries are appropriate in the context of the market. The results of the last survey, conducted in May of 2011, demonstrate that roughly 94% of Cemig's employees are remunerated at a level above the median in the market.

Of note among the improvements made to the PCR in 2011 is the remodeling of the Technical Career (Career Y) within the University level, which resulted in 22 employees being classified as Specialists, which is a way of recognizing the high degree of technical specialization inherent to the Company's strategic objectives.



Since 1997, Cemig has run a Profit Sharing program for its employees, which is linked to the accomplishment of goals. The Company grants its employees a range of benefits, which go beyond the legal requirements:

LA3

- Benefits granted directly by the Company: biweekly advance payment; payment in advance of Christmas bonus in any month of the year, as requested by employee; vacation loan; refund of expenditures incurred by employees, or their dependents, related to disabilities; educational allowance; funeral assistance; special paternity leave (in the event the mother is incapacitatedly ill); wage complement for employees on workers compensation; granting of a 5-day leave for newly married employees (the law grants a 3-day leave).
- Benefits managed by Fundação Forluminas de Seguridade Social – Forluz: Private Pension Funds.
- Benefits managed by Cemig Saúde: payment for expenditures related to medical appointments, examinations, emergency services, hospital admittances, surgeries, obstetric services and odontological services for employees and dependents.

With regard to Temporary Labor, the base wage is linked to the PCR wage table and is therefore compatible with the function that the temporary employee performs in the Company. As for benefits, they are provided with transportation vouchers and meal/snack vouchers.

Interns are entitled to a stipend correspondent to 1.4 times the minimum wage for the university level and 1.1 for the secondary level, in addition to transportation vouchers.

Organizational Climate Management

The Organizational Climate Management Process is divided into three phases: the organizational climate survey, planning improvement actions and the implementation and monitoring of these actions. The results of the survey are used as inputs for the other stages in the process.

The survey was last conducted at the end of 2011. Participation in the survey is voluntary. The last survey saw 75% of the employees participate, which was a 5% increase over the previous cycle.

The Favorability Index was 48%, 3 points lower than in the previous cycle. A preliminary analysis indicates that this reduction may be explained by significant strategic

changes implemented at the Company which have not yet been totally absorbed by the employees. Among these changes were a revision of operational processes and alterations to the organizational structure.

The next step in the process will be to form focus groups composed of company professionals. These focus groups will discuss the results in detail in a manner that will facilitate the drafting of the Corporate Action Plan for 2012. In parallel, the different areas of the Company will also submit their action plans.

Beginning this year the Climate Survey, which used to be conducted biennially, will be conducted annually so that the monitoring of the needs and expectations of the employees can be done more regularly, which will increase the effectiveness of the Action Plans that result from the surveys.

TRAINING AND DEVELOPMENT

● **EU14** Cemig's corporate university – UniverCemig – was created in December of 2008 with the aim at implementing educational development programs throughout the company's value chain. <http://www.cemig.com.br/sites/en/Humanresources/UniverCemig/Pages/default.aspx>

In 2011 it was responsible for important corporate educational and knowledge management initiatives.

The UniverCemig campus is located in the city of Sete Lagoas and is composed of teaching and administrative buildings, a medical occupational psychology building, dormitories, a cafeteria, a leisure area, a gymnasium, a forested garden and various training areas. This space is the focus of constant improvements, one of which was the installation in 2011 of a training area for work on overhead transformers.

UniverCemig has invested R\$ 1,360,000 in the acquisition of a learning management platform and content that will soon allow for a leap forward in the planning and control of the Company's in-person and at-a-distance training activities and the consolidation of learning through the practical application of technology.

Partnerships have been formed with academic institutions and R&D projects such as: the structuring of an agreement with Unifemm – the Monsenhor Messias University Center in Sete Lagoas for the joint development of graduate and post-graduate courses, participation in the City of the Future project and approval of an R&D project focused on knowledge management.

One of the first benefits of the agreement between Cemig and Unifemm was the launch of graduate courses in Electrical Engineering and post-graduate courses in Occupational Safety Engineering, which take advantage of the synergy between the practical knowledge and the academic knowledge promoted by the institutions, which includes the provision of practical classes that are held on the UniverCemig campus. Both the courses are open to the public in general and 5% of the places are reserved for Cemig employees, who also must go through a selection process.

UniverCemig, in addition to focusing on Cemig's internal public, also offers training programs for other companies, which produced revenues of R\$ 1.34 million in 2011.

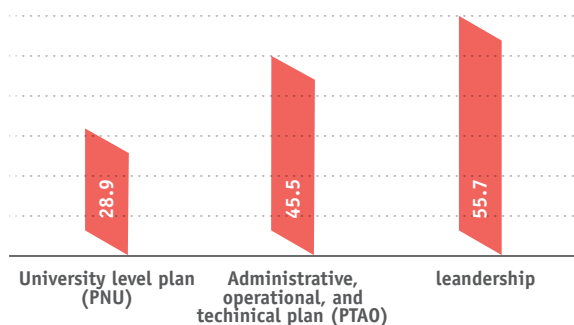
Among the various events offered to the external public is a program that saw the training of 355 electricians from companies contracted by Cemig and Live Transmission Line training for collaborators from EATE - Empresa Amazonense de Transmissão de Energia S.A, and the Chilean companies E-CL S.A. and Underfire Electric.

Training Own Employees

Through the three schools at UniverCemig (Culture and Sustainability, Energy Technology and Business), training was offered to employees in accordance with the training needs connected with their careers and with the performance expectations the Company has for the employees. ● **LA10**

All the needs were consolidated into an annual training plan, which made it possible to achieve the participation of 44,000 people in at-a-distance and in-person events which translates into over 376,000 hours of training and investment of R\$ 26.2 million. The table below shows the average number of hours of training per employee per hierarchical level.

AVERAGE OF TRAINING HOURS, PER EMPLOYEE AND HIERARCHIC LEVEL



Noteworthy among the technical/administrative training programs is the retraining of electricians in Regulatory Norm #10 (NR10) – Safety at Facilities and Electricity Services, training in the norm governing the operation of distribution networks and the structuring of administrative contract management training, followed by testing on a pilot class.

With the goal of promoting themes related to professional conduct and environmental responsibility, courses in Ethical Principles and the Code of Conduct, Environmental Policy, Ichthyofauna Handling and Conservation Topics were offered, as was an interactive game related to Information Security.

In 2011, Cemig contributed towards the formal education of 766 employees by means of financial assistance for technical courses, graduate courses and post-graduate courses, totaling R\$ 1.96 million.

With regard to leadership development, the following actions were undertaken:

- International Leadership Trails: through a contract with the Fundação Dom Cabral (FDC) in partnership with INSEAD – The Business School for the World, in France, 45 leaders were developed. These leaders were able to broaden their vision in terms of economic-financial sustainability and prepare themselves for the expansion of their area of operations beyond the current geographical limits.
- Succession Management Program: 40 employees participated in the Cemig – Vision 2020 training program and 80 employees participated in the Skills Development Program.

- Supervisor Development Program: 195 supervisors received training in the “Be Client-Oriented” and “Vision of the Value Chain and Unity” competences.

FORLUZ AND CEMIG SAÚDE

Cemig offers its employees, as part of its human resources policy, complementary retirement plans that are among the best in the market. These plans, in accordance with Brazilian legislation, are managed by an independent organization that administers the guaranteed funds in a way that is completely separate from the Company’s resources. In this way, Cemig sponsors Forluz – Forluminas Social Security Fund, a non-profit organization, which has the goal of improving the quality of life of its participants through the payment of contributions to retirement and pension funds. EC3

Forluz, which turned 40 in 2011, is the 9th largest pension fund in Brazil and stands out in the market for its pioneering spirit and management excellence. The Forluz pension plans are funded through contribution from Cemig and its subsidiaries and their employees. EC3

Forluz currently pays monthly benefits in the amount of R\$ 42.3 million to 12,358 people. In 2011, 671 new benefits were granted. Its benefit plans are continuously monitored with the objective of keeping them actuarially balanced and appropriate for the market. An independent company conducts complete actuarial evaluations every year and, intermittently, monthly evaluations. The Balanced and Mixed plans are currently well balanced.

As part of the management of the fund resources, investments are made in various segments of the economy through the acquisition of bonds or shares, which helps to drive the public and private sectors.

Forluz is a signatory to important initiatives related to sustainability, among which are the Carbon Disclosure Project (CDP)¹⁷ and the Principles for Responsible Investment (PRI), which includes environmental, social and governance criteria and is aimed at maintaining

¹⁷ For further information please visit: www.cdproject.net

a focus on more sustainable investments. During the asset manager selection and procurement process, Forluz requests information on whether the company or fund is a signatory of the PRI and this is a critical decision making criterion.

Forluz is investing in sustainable construction at the Aureliano Chaves Building in Belo Horizonte, which will have 54,600 m² of floor space, spread of 24 floors and 5 underground levels. It will be the first commercial building in Minas Gerais to obtain a Gold LEED Certificate from the Green Building Certification Institute in the U.S.A. The building is scheduled to be completed in May of 2013.

Cemig Saúde is a healthcare insurance plan operator, duly registered with the National Health Agency (ANS), in the self-managed category. In 2011 new systems were installed, healthcare programs were created and processes were revised and updated for this new situation. The coverage offered by the company goes beyond the minimum role of healthcare situations that has been established by the ANS and it offers special coverage and prevention programs. To date, the special coverage

include partial coverage of expenses on prescription medicine, glasses, contact lenses, wheelchairs, etc.

Cemig Saúde currently has 64,523 beneficiaries, 9,080 of whom are active, 11,828 are assisted, 30,994 are direct dependants and 12,621 are special dependants. It also has 5,757 agreements with institutions and professionals, which include 250 hospitals, 888 medical clinics, 717 laboratories/diagnostic centers and 2,349 physicians, among others, located in 252 municipalities throughout the state.

INTERNAL COMMUNICATION

Cemig has strategic communication system for interacting with its internal public. This system is ISO 9001 certified and is directly aligned with the Company's Vision. Through this system, Cemig structures its communication based on the principles in its Management System, in consonance with its Communications Policy, with the goal of strengthening Cemig's brand and reputation.

INHOTIM – SPONSORED BY CEMIG



The Company's internal communication team has also worked together with the Strategic Planning and Human Resources superintendence to assess the most relevant information to be disseminated with the goal of providing Cemig's employees and their families with necessary information at the right time, thereby constructing and spreading an efficient knowledge chain over time. Every month meetings are held with the Communication Committee, which is formed of representatives from all the executive offices in the Company and the subsidiaries

Gasmig, Efficientia and Cemig Telecom with the goal of discussing the Company's strategic communication activities and assessing the issues to be worked on with the stakeholders.

Another point that should be mentioned is the important role of technology, which guarantees communication in a timely way with all the Company's employees. Below are listed some of the main channels the Company uses to communicate with its employees:

Communication Channels	Application
Corporate Portal – CemigNet	The main dissemination channel utilized by the Company. It underwent a large-scale reformulation in 2010, becoming more attractive and interactive. It features the daily publication of decisions, actions, data and facts on the Company as a whole.
Jornal Mural (Bulletin Board Newsletter)	Bi-weekly newsletter published in the Metropolitan Belo Horizonte Region and strategic cities in the interior of the state with the objective of disseminating information related to the Company and to employees, which occur inside and outside of Cemig, with a simple approach and precise texts.
Energia da Gente newsletter	Monthly periodical publication produced with a focus on employees and their families. It deals with information related to the Company and employees in a humanized manner, with the goal of encouraging involvement and participation. It features wide-ranging and analytical material.
Linha Viva Newsletter	Communication vehicle with strategic news articles that are of interest to employees in general and tailored articles created to meet the need to provide information on important issues in a timely manner to all the Company's employees, especially those that work in the field.
Outlook Messages	This is a direct and quick means of direct communication with employees through e-mails on various subjects related to the Company. Messages are directed in accordance with the target public. In addition, some communication messages are published on the CemigNet Portal.
Internal blogs	Available on CemigNet, the blogs were created to serve as an environment for discussion between the Company and employees regarding various institutional issues. During the Union Negotiation period, in November and December of 2011, the Transparent Dialogue Blog was utilized in conjunction with the Live Line Newsletter to clarify for employees what the Company's posture was. In total, the blog has been accessed 430,000 times.
On-Line Services	Channel through which employees request services, search for information, critique and contribute with suggestions on how to improve processes, tools, policy and practices. This is utilized by many areas of the Company, including HR and Communication.
RH Fácil	A digital space that provides information and gives each employee independent access to their personal, wage, payment and functional information, and other registered data.

LABOR AND UNION RELATIONS

HR5 In accordance with its commitment publicly assumed through its joining of the Global Compact and internally through its Human Resources Policy, Cemig recognizes the union entities as the legitimate representatives of its employees, recognizes its employees' affiliation options and engages in constant interaction with the union representatives through a management office created for this purpose.

LA4 The Collective Bargaining Agreements (ACT) cover 100% of Cemig employees and are signed annually after negotiations between the Company and the various union entities that represent them. Cemig

has signed 5 Specific Collective Bargaining Agreements which address: access by union leaders to Company facilities; holding of sector meetings at Company facilities; minimum wage for Engineers; Administration of the Healthcare Plan; and Profit Sharing (PLR).

In 2011 Cemig held 13 meetings with the union entities, with the goal of signing a Collective Bargaining Agreement and the Specific Collective Bargaining Agreement for the Profit Sharing program. The issues involving the other specific collective bargaining agreements were also discussed, making it possible for them to be renewed as well.

Four Work Groups were maintained, composed of representatives from the union entities and the Company, to deal with the following areas:

Occupational Health and Safety, the Profit Sharing Program, Outsourcing and a fourth that dealt with issues related to the coordination of teams exercised by university level professionals.

In addition, the ACT in force calls for the participation of the unions in each of the meetings held by the Company's Internal Accident Prevention Commissions (CIPAs) and the commission responsible for investigating fatal or serious accidents involving Company employees. There is also a clause through which Cemig and the Unions commit themselves to undertake parallel awareness campaigns regarding the importance of utilizing individual and collective protection equipment (EPI and EPC). Also, the agreement states that, in cases of centralization or automation involving the elimination of jobs, the company will undertake to announce this to the employees involved and the entities that represent them.

● LA9

● LA5 With regard to the right to strike, in areas which provide services that are considered essential to the population, there must be formal communication by the union entities or by the workers at least 72 hours prior to the action, as established in Law 7,783/99. During the 2011 negotiations for the renewal of the CBA, there were five intermittent days of work stoppages by Company employees. The Emergency Operational Committee, created with the basic objective of establishing a Contingency Plan for the maintenance of the Company's essential services in the event of strikes, was activated and there were no recorded instances of negative events.

HEALTH, SAFETY AND WELL-BEING (HS&WB)

● EU16 Cemig has a Health, Safety and Well-Being Policy that is aligned with Principle 1 of its Declaration of Ethical Principles and Code of Professional Conduct with the goal of providing healthy and safe working conditions for its own employees, contract workers and the employees of contracted companies and of promoting safety in the communities directly or indirectly affected by its operational system, be it Generation, Transmission or Distribution.

In order to disseminate Health, Safety and Well-Being information and guidance, the Company offers the members of its workforce a portal on the intranet that contains all the necessary technical information that is, in general, shared with the external public by means of its website. In this way, Cemig is working to encourage practices that may come to constantly reduce the number of accidents and illnesses, not only within the scope of the Company, but in the electrical sector as a whole.

In parallel, the Practiced Safety Monitoring and Audit System (SIMASP) is totally up-to-date with information technology in order to standardize and unify occupational safety inspections, in addition to feeding the practiced safety indicator (ISP), which paints a picture of compliance at work with the occupational health and safety requirements and procedures.

Noteworthy in 2011 were Cemig's activities related to the improvement of its integration with its contracted companies, sharing its HS&WB know-how as a means of providing adequate working conditions for all employees, whether own or those of contracted companies.

Risks associated with the health and safety of Cemig's services are assessed in the following stages of its life cycle: Concept Development, Research and Development, Certification, Production, Marketing and Promotion, Distribution and Storage, Use and Services, Reutilization, Recycling and Final Disposition.

● PR1

Cemig's Health, Safety and Well-being Policy establishes in its first principle that the identification, the assessment and the control of health & safety-related risks, concerning both employees and the community, and risks to the integrity of company assets are an integral part of the activities undertaken in all work processes all the way from the initial stage of a project through to its construction, assembly and operation and the maintenance of equipment and facilities.

In order to serve other stakeholders, the Company conducts permanent campaigns regarding accidents involving the population and presents quarterly reports to the Board of Directors. The reports explain the partial results of the previously agreed to indicators and the

progress of corporate activities aimed at protecting the physical, mental and emotional integrity of the workers and the safety of the population in general.

The Company's Human Occupation Under Transmission and Subtransmission Facilities Prevention and Solution Policy was also approved and mapping and registration initiatives were undertaken, along with actions aimed at raising awareness among the families involved. In 2011, 5,639 activities directly linked with inspecting the Right-of-Way areas under Transmission and Distribution Lines were carried out throughout the State of Minas Gerais.

In compliance with the provisions of Aneel Normative Resolution #398/2010, Cemig made electric and magnetic field calculations and/or measurements at all the facilities in its assets list, with nominal voltage equal to or greater than 138 kV. All measurements recorded values smaller than the thresholds established

by the aforementioned Resolution, both for employees and members of society.

HS&WB Management

Cemig uses as a reference for the management of Health, Safety and Well-Being the internal technical manual, which contains the standardized corporate procedures, the regulatory norms issued by the Ministry of Labor and Employment (MTE) and the guidelines and rules from OHSAS 18001:2007. The procedures referenced in this norm are periodically audited, whether by the auditors of the management systems, by the members of the Specialized Occupational Safety and Medicine Engineering Services (SESMT), or by the Cemig Audit Superintendence. The Company is also subject to external inspection by the Ministry of Labor and Employment (MTE).

In accordance with legal requirements, the Company has:

- Internal Accident Prevention Commissions (CIPAs), composed of members chosen via electronic



- election, representing employees, the employer and union entities. At the end of 2011, 77 CIPAs represented 100% of the employees, acting autonomously and independently towards the prevention of accidents and industrial disease.
- Specialized Occupational Safety and Medicine Engineering Services (SESMT), with the following composition in 2011: 8 occupational safety engineers, 4 workplace physicians, 1 nurse, 9 nursing technicians, 56 occupational safety technicians and, though not required by law, 4 psychologists and 6 social workers.
 - Environmental Risk Prevention Program (PPRA), Occupational Health Medical Control Program (PCMSO) and Hearing Preservation Program (PCA). In 2011, the base document for the PPRA was standardized into Excel spreadsheets with the objective of allowing information to be filtered and tracked, making the process of aligning this program and the PCMSO quicker.
 - Permanent Occupational Health, Safety and Well-Being Campaign, with the objective of disseminating a culture of safety among Cemig's entire workforce (own employees and those of contracted companies).
 - Hira-Cemig Methodology, the Company's own method for identifying Hazards/Risk and Damage Factors, Risk Assessments and the Definition of Controls. In 2011 a consulting firm was hired to assist with the revision and improvement of the methodology, based on the principles of Resilience Engineering and placing special emphasis on human/ergonomic factors that have been made compatible with OHSAS 18001:2007 in its original version in English. EU21
 - Individual Protection Equipment (EPI) Management, in conformity with the ISO 9001 criteria. In 2011 the specifications were revised for some equipment and the 1st EPI Use Satisfaction Survey was conducted with the objective of gathering information that will direct future improvements. EU21
 - The Vital Energy Program was created based on diagnostics and data collected on the main diseases, both existing and potential, among Cemig's employees. In 2011 no areas of Cemig recorded high rates of occupational diseases. In the last five years, the occupational disease rates have been lower than 0.33%. Still, the goal is to reduce the number of diseases and of their causes through monthly monitoring of employees' health. The following programs were then created: LA8

In accordance with its own HS&WB program, in harmony with OHSAS 18001:2007, the Company has::

- Safety Moment, to raise awareness and provide important information to employees regarding various HS&WB themes. This involves their active participation and the generation of reports with suggestions for the continuous improvement of the work environment.

Program	Application
PROLONGAR – Physical Activity Program	This program provides incentives for the practice of aerobic physical activity for employees that meet the program inclusion criteria through the reimbursement of part of the monthly fees for courses such as swimming, gymnastics and hydrogymnastics, etc. It also provides incentives for employees to participate in street running competitions.
REPENSAR – Obesity Prevention Program	This program alerts employees to the risk of obesity in terms of their health and also to the related occupational safety problems. Enrolled employees are sent to a nutritionist, endocrinologist and psychologist, with the expenses being paid for by the Company.
PROCOHAR – Hypertension Control Program	This monthly control of blood pressure provides guidance for employees with irregular blood pressure and encourages physical activity. The Program includes financial contributions by Cemig through the reimbursement of expenses related to gymnastics, swimming, cycling and other exercises for employees enrolled in these activities. The Program contributes towards minimizing the risk or morbidity among participating employees.
RESPIRAR – Program to Quit Smoking	This Program consists of medical guidance for smokers, anti-smoking campaigns and restricts smoking to the special smoking areas established in the Company's buildings. The Vital Energy Program indexes guide the SESMT activity strategies regarding the lifestyle and habits of employees and their families, offering educational, monitoring, support and safety actions, with the goal of reducing illness and controlling risk factors and alterations in employees' health profiles.
EQUILIBRAR – Stress Management Program	Management of the at-risk group. Promotes alternative therapies paid for by employees, during work hours, encouraging social inclusion; Promotes walking/running groups and deals with the theme through digital/electronic media.
PREVENIR – Chemical Dependence Management Program	Management of the at-risk group – volunteer. Offers the support of medical/psychological/social services; full reimbursement of the cost of medication and psychotherapy, in addition to support from Cemig Saúde, the entity that manages the Company's employee healthcare plan.

- In 2011 the Vital Energy program underwent a revitalization process with the goal of encompassing a greater number of employees. Employees with a BMI>25, with dislipidemias, diabetes and those with special physical needs were included.
- In addition, educational activities, training and counseling and treatment and prevention programs are undertaken to support Cemig’s employees, their families and members of the community and to raise awareness about severe illnesses associated with the Company’s operations. Further information on the activities involving the community can be found under the topic “Accidents involving the Population”.
- Periodical or special psychological inventories or appointments in order to maintain the emotional health and balance of employees, with the objective of preserving their productive capacity over their working lives. In 2011, 1,808 psychological evaluations were conducted, with priority being given to those experiencing changes in function, performing activities that present risks and activities in confined spaces, those working at heights on live lines, driving company vehicles and serving on fire brigades, in addition to the certification of system technicians and operators. There was a special focus on the authorization process for driving company vehicles, which represented approximately 40% of all evaluations.
- Well-Being Programs, listed in the table below, with the respective applications:

Programs	Application
Professional Re-adaptation Program	Aimed at redirecting employees that have had their work capacity reduced as a result of illness or accident, with a change in their functions. The program is run in an integrated manner by the medical, psychological, social and occupational safety areas and later homologated by the National Social Security Institute (INSS).
Medical-Social Orientation Course for pregnant couples	The objective is to provide employees expecting children with greater safety during the pregnancy, delivery and the care of the child, thereby reducing risks for the mother and for the baby and avoiding unnecessary leaves of absence and worries that are prejudicial to the employee’s good performance
Personal and Family budget Planning Program	Conducted through lectures and one-on-one consultations, the Program raises employees’ awareness of the importance of financial balance. 101 loans were granted for healthcare, housing and other purposes, totaling R\$ 666,6 thousand.
Retirement Preparation Seminar	The retirement preparation seminar is aimed at helping the participants to construct their life project and discuss the way in which they will use the time available after retirement.
Social interventions	Undertaken together with employees and third party workers and people who have retired due to disabilities resulting from occupational accidents or industrial disease with the goal of having the Company provide guidance and cover expenses related to healthcare.
Weekend and Holiday Availability	People on duty on weekends and holidays with the goal of providing social assistance to employees that are victims of serious accidents and relatives of employees that have suffered fatal accidents, whether work-related or not.
Social Inventory	This program consists of individual scheduled appointments for electricians with social workers with the goal of reducing the accident rates, absenteeism and occupational accident costs. The program has resulted in a social diagnostic that will subsidize corporate strategies for improvements in the quality of life at work. The program generates a social diagnostic that subsidizes corporate strategies aimed at improving quality of life at work.

ACCIDENTS

Cemig instructs its workers, contracted workers and those of contracted companies, at all hierarchical levels, and regardless of their area of operations, that are directly involved in the planning, coordination, execution and control of measures aimed at preventing the occurrence of workplace incidents, preserving their health, physical integrity and well-being at work to make this a priority among all other activities.

Approval of the personnel instruction “Responsibilities and Penalties for Non-Compliance with the Health, Safety and Well-Being Policy”, which establishes the criteria and procedures for the responsibilities and penalties for non-compliance with the HS&WB policy, norms, instructions, procedures or orientations.

However, the workforce lost-time frequency rate in 2011 rose 18.86% in relation to 2010, despite the reduction registered in among own employees.

Accidents Involving the Workforce

FREQUENCY RATE – CEMIG

US Criteria – 200,000						
	2006	2007	2008	2009	2010	2011
Own People	0.37	0.48	0.43	0.51	0.40	0.25
Contract Workers	2.17	1.35	0.94	0.96	0.58	0.76
Workforce	1.30	0.92	0.72	0.79	0.53	0.63

SERIOUSNESS RATE – CEMIG

US Criteria – 200,000					
	2007	2008	2009	2010	2011
Own People	132	70	81	12	3
Contract Workers	421	168	257	215	259
Workforce	278	125	192	159	194

- LA7 Among the accidents that result in lost time, the most severe occurred due to traffic accidents, involving cars, pickup trucks, trucks and motorcycles.

All training programs ministered by the company cover the subject of safety, which is heavily emphasized in order to make work-related activities safer.

As part of the Trânsito Amigo project, the Safe Driving workgroup was created, which is focused on retraining drivers when they renew their authorization for driving Company vehicles.

An electronic management system was implemented for the Company's fleet of vehicles with the goal of, among other things, reducing the number of traffic accidents and infractions and supplying important information to accident investigation commissions. After being implemented, a reduction of approximately 53% was observed in the number of traffic infractions in comparison with 2010.

The number of traffic accidents was similar to that registered in 2010, both in terms of quantity and their

nature. It is expected that there will be a reduction in these accidents as the efforts of the Safe Driving workgroup begin to have an effect.

It must be taken into consideration that the number of vehicles on the Road in Brazil is constantly growing and therefore there is an increasing in the numbers of accidents. However, in order for the Company to be able to reduce the number of traffic accidents its people are involved in, it is fundamental that its drivers change their habits and begin to drive the Company's vehicles, and their own as well, defensively.

Accidents Involving the Population

Cemig registers all incidents of an electric nature and traffic accidents (accidents involving pedestrians, collisions) involving the population. Cases of collisions with posts (vehicles which crash into posts) are not counted as accidents involving the population, except those in which the victim suffers an electric shock. In 2011, no law suits were filed by individuals claiming compensation for injuries that may have been caused by any of the Company's activities.

EU25

ACCIDENTS INVOLVING THE POPULATION

Nature	Total accidents		Fatal accidents	
	2010	2011	2010	2011
Electrical	44	124	16	30
Traffic	27	15	4	2
Other	48	37	9	5
Total	119	176	29	37

One accident that took place in Bandeira do Sul, a city located in the South of Minas Gerais, led to an increase in the number of accidents registered in 2011 in relation to previous years. 68 victims were recorded, 17 of them suffered fatal injuries. The incident happened during precarnival festivities and was caused, according to a forensic opinion from the Civil Police, by a metal piece (serpentine) that was thrown onto the electric network and caused the medium tension cables to break and fall onto a “trio elétrico” (a truck equipped with a high power sound system and a band). The electric network protection system was immediately activated and automatically turned the system off, thus avoiding an incident of greater proportions both for the electric system and the population.

Cemig promptly offered to render all assistance necessary to the families of the victims and initiated a comprehensive initiative to prevent other similar accidents, among which we may cite: mapping of similar events all around the concession area; specific campaigns to raise awareness; carrying out initiatives within the company; contacts with city halls; operational contingency plans; planning for the modernization of networks over the medium term; work to prevent the commercialization of dangerous products, and so on.

● **EU24** Every year Cemig conducts its External Accident Prevention Campaign (Cepap) and the National

Electric Energy Safety Involving the Population Week, which has the goal of informing people of the necessary care to be taken with electric energy. In total, 500,000 people in 489 different localities participated in the campaign, with 305 events realized throughout the Minas Gerais State.

With the theme “Never touch or go near the electric network”, Cemig holds educational lectures at schools and construction sites and educational campaigns in areas where there are large numbers of people throughout the State with the objective of raising awareness among the population of how to use electric energy safely. The campaign also featured the distribution of flyers and booklets, theatrical presentations, interactive games and models of electrical facilities used in simulations of accident risks.

In 2011, during the National Electric Energy Safety Involving the Population Week, the media campaigns, educational lectures at schools and construction sites and checkpoints at high-traffic areas reached an estimated public of 430,000 people in the State.

Of note among the actions undertaken was the 1st Cemig Safety Meeting with Corporate Clients, held in late November with the objective of providing clarification regarding the Company’s business and the associated risks.



AWARDS AND RECOGNITION RECEIVED BY CEMIG IN 2011

2.10 3rd Abap Sustainability Award

Category: Company

Presented by: ABAP - Brazilian Association of Advertising Agencies
<http://www.premioabapsustentabilidade.com.br/>

38th Apimec Award

Category: Best investor relations professional in 2010: Luiz Fernando Rolla

Presented by: APIMEC - Association of Capital Market Investment Analysts and Professionals
http://apimec.riweb.com.br/apimec/show.aspx?id_canal=520&id_canalpai=473

2nd Corporate Sports Friend Award

Categories: Best Regional Sports Friend (winner) and Dedication to and Incentives for Sports (3rd place)

Presented by: Ministry of Sports
<http://www.esporte.gov.br/premio/vencedores.jsp>

Companies that Best Communicate with Journalists

Category: Electric Energy

Presented by: Revista Negócios de Comunicação (Communication Business Magazine)
<http://www.cspublisher.com/admin/produtos/SGNC/graficas-livros/noticias/premio-as-empresas-que-melhor-se-comunicam-com-jornalistas-225078-1.asp>

The Best of Dinheiro Award / Isto É Dinheiro Business Magazine

Category: Energy Sector – General (2nd place), Human Resources (1st place), Corporate Governance (2nd place) and Financial Sustainability (3rd place)
Presented by: Editora 3 publishing company

Transparency Trophy

Category: Open Capital Company
Presented by: Anefac-Fipecafi-Serasa
<http://www.anefac.com.br/transparencia/2011/empresas.html>

Corporate Sustainability Index – ISE 2011/2012

Presented by: BM&F Bovespa
<http://www.bmfbovespa.com.br/indices/ResumoCarteiraTeorica.aspx?Indice=ISE&idioma=pt-br>

National Quality Award

In 2011 Cemig GT was recognized as being outstanding at the national level in the “Clients” Category, as was Cemig D in the “Processes” Category.

The National Quality Award is an evaluation cycle that is conducted annually by FNQ (National Quality Foundation), which recognizes organizations that demonstrate Management Excellence in Brazil. Eight different criteria are assessed: Leadership, Strategies and Plans, Clients, Society, Information and Knowledge, People, Processes and Results.

Presented by: Fundação Nacional da Qualidade (National Quality Foundation)

12th Abrasca Best Reports Award

Category: Open Capital Companies 1 – with net revenues equal to or exceeding R\$ 2 billion (Honorable Mention)

Presented by: ABRASCA - Brazilian Association of Open Capital Companies
<http://www.abrasca.org.br/premios/>

Allianz Insurance Journalism Award

Category: Special Corporate Communications Category (Finalist/Honorable Mention) – Universo Cemig Magazine

Presented by: Allianz Insurance
http://br.allianz.com.br/corporativo/imprensa/hotsite_2_premio_jornalistas/index.htm

Brazilian Leaders Award

Category: Leader in Environmental Management – Djalma Bastos Morais

Presented by: Lide – Corporate Leaders Group
<http://www.cesargiobbi.com/?page=materias&id=13226>

Coge Foundation Award

Category: People Training and Development – Succession Management Program

Presented by: COGE Foundation
<http://www.funcoge.org.br/>

Dow Jones Sustainability World Index – 2011/2012

Presented by: Dow Jones Indexes / SAM – Sustainability Investing
http://www.sustainability-index.com/07_html/reviews/review2011.html

Samarco Excellence Award

Category: Suppliers

Presented by: Samarco

The Samarco Excellence Award is presented annually with the goal of rewarding and recognizing suppliers that present the best performance in the criteria assessed.

<http://www.samarco.com.br/modules/system/viewPage.asp?P=1359&VID=default&SID=690649465617882&S=1&A=closeall&C=1156>

Standout of the Year 2011 – Anuário Telecom

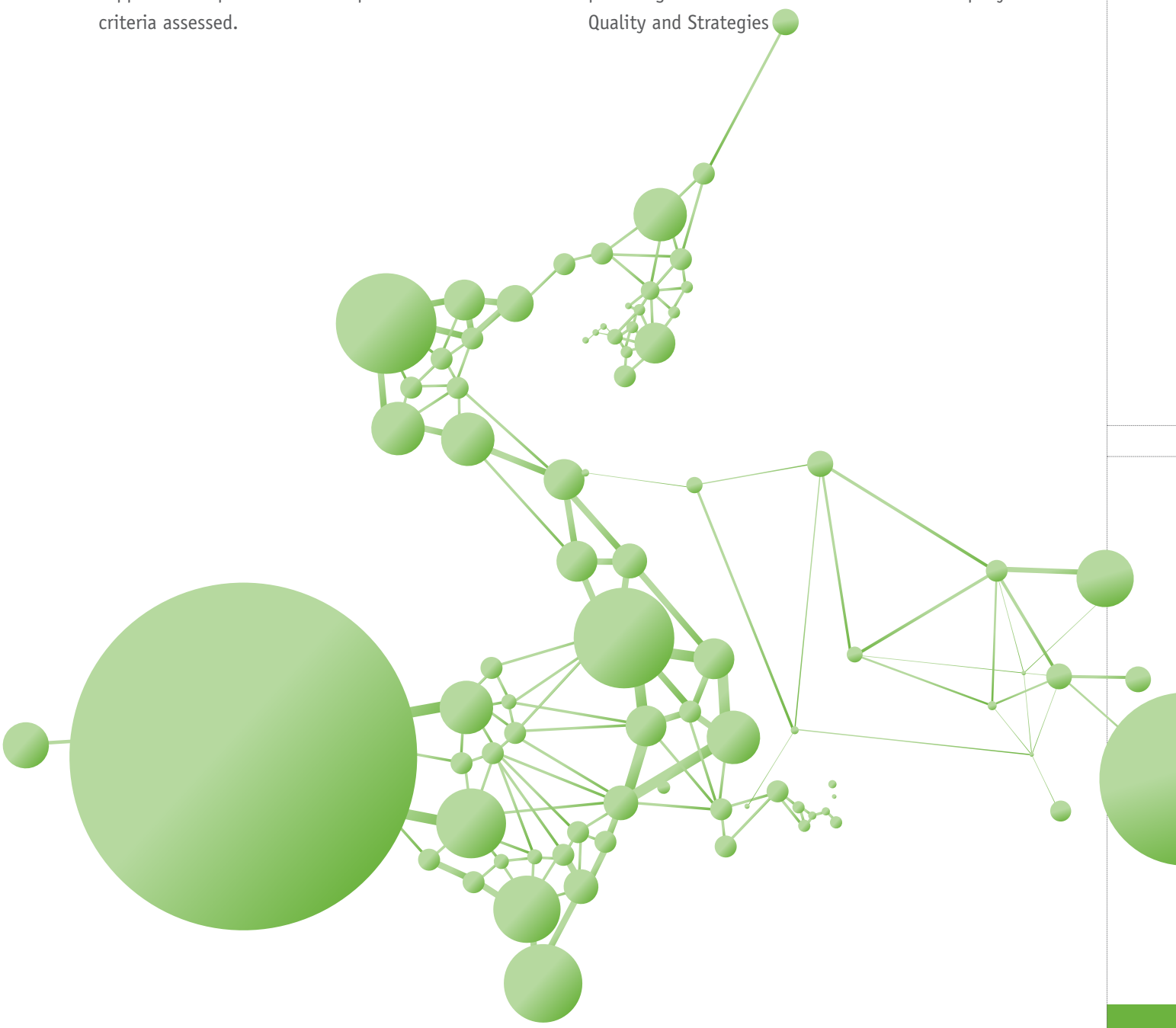
Category: Corporate Services – Cemig Telecom

Presented by: Anuário Telecom

Aperam South America Award

Supplier Qualification Program – 2011

Cemig GT received the Material and Service Supplier Assured Quality Certificate presented to Suppliers providing Services that are Critical to the Company's Quality and Strategies



1) Calculation Base	2011			2010		
	Amount (R\$ thousand)			Amount (R\$ thousand)		
Net Revenues (NR)	15,814,227			13,846,934		
Operational Results (OR)	4,416,547			3,646,795		
Gross Payroll (GP)	1,131,846			1,071,921		
2) Internal Social Indicators	Amount (R\$ thousand)	% Over GP	% Over NR	Amount (R\$ thousand)	% Over GP	% Over NR
Food	70,032	6.19	0.44	78,643	7.34	0.57
Compulsory Payroll Overhead	278,467	24.60	1.76	268,002	25.00	1.94
Private pension plan	67,393	5.95	0.43	107,038	9.99	0.77
Healthcare	43,849	3.87	0.28	43,002	4.01	0.31
Occupational Safety and Medicine	10,786	0.95	0.07	11,001	1.03	0.08
Education	2,182	0.19	0.01	1,256	0.12	0.01
Culture	88	0.01	-	134	0.01	-
Professional training and development	26,200	2.31	0.17	38,687	3.61	0.28
Daycare or daycare assistance	1,854	0.16	0.01	1,814	0.17	0.01
Profit sharing	218,156	19.27	1.38	325,085	30.33	2.35
Others	16,539	1.46	0.10	31,256	2.92	0.23
Total – Internal Social Indicators	735,546	64.99	4.65	905,918	84.51	6.54
3) External Social Indicators	Amount (R\$ thousand)	% Over OR	% Over NR	Amount (R\$ thousand)	% Over OR	% Over NR
Education	1,024	0.02	0.01	401	0.01	-
Culture	15,273	0.35	0.10	18,578	0.51	0.13
Other Donations/Subventions/ASIN Project/Sports	58,770	1.33	0.37	58,460	1.60	0.42
Total Contributions to Society	75,074	1.69	0.47	77,439	2.12	0.55
Taxes (excluding social contributions)	8,396,455	190.11	53.09	7,073,605	193.97	51.08
Total – External Social Indicators	8,497,352	192.39	53.73	7,151,044	196.09	51.63
4) Environmental Indicators	Amount (R\$ thousand)	% Over OR	% Over NR	Amount (R\$ thousand)	% Over OR	% Over NR
Investments related to production/operation of the company	116,532	2.64	0.74	88,053	2.38	0.63
With regard to the establishment of annual targets for minimizing waste, general consumption in production/operation and increasing the efficiency in the utilization of natural resources, the company:	(x) has no targets established () meets between 0 and 50% () meets between 51 and 75% () meets between 76 and 100%		(x) has no targets established () meets between 0 and 50% () meets between 51 and 75% () meets between 76 and 100%			
5) Workforce Indicators						
No. of employees at the end of the period	8,706		8,859			
No. of hirings during the period	7		6			
No. of contract workers	ND		ND			
No. of interns	344		455			
No. of employees over 45 years of age	3,887		3,255			
No. of women working at the company	1,131		1,149			
% of management jobs occupied by women	12.6		14.28			
No. of black employees working at the company	2,752		2,798			
% of management positions occupied by blacks	13.77		12.54			
No. disabled workers or workers with special needs	47		54			

6) Relevant information regarding corporate citizenship	2011			2012 Goals		
Relation between the highest and lowest remuneration at the company	18,10			ND		
Total number of workplace accidents	60			ND		
Social and environmental projects undertaken by the company were defined by:	<input type="checkbox"/> executive officers	<input checked="" type="checkbox"/> executive officers and management offices	<input type="checkbox"/> all employees	<input type="checkbox"/> executive officers	<input checked="" type="checkbox"/> executive officers and management offices	<input type="checkbox"/> all employees
The safety and health-related conditions in the work environment were defined by:	<input type="checkbox"/> executive officers and management offices	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> All + CIPA	<input type="checkbox"/> executive officers and management offices	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> All + CIPA
With regard to union freedom, the right to collectively bargain and internal representation of the workers, the company:	<input type="checkbox"/> is not involved	<input checked="" type="checkbox"/> follows ILO norms	<input type="checkbox"/> promotes and follows ILO norms	<input type="checkbox"/> is not involved	<input checked="" type="checkbox"/> follows ILO norms	<input type="checkbox"/> will promote and follows ILO norms
The private pension plan includes:	<input type="checkbox"/> executive officers	<input type="checkbox"/> executive officers and management offices	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> executive officers	<input type="checkbox"/> executive officers and management offices	<input checked="" type="checkbox"/> all employees
Profit sharing includes:	<input type="checkbox"/> executive officers	<input type="checkbox"/> executive officers and management offices	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> executive officers	<input type="checkbox"/> executive officers and management offices	<input checked="" type="checkbox"/> all employees
When selecting suppliers, the same ethical and social and environmental responsibility standards are adopted by the company:	<input type="checkbox"/> are not considered	<input type="checkbox"/> are suggested	<input checked="" type="checkbox"/> are required	<input type="checkbox"/> will not be considered	<input type="checkbox"/> are suggested	<input checked="" type="checkbox"/> are required
With regard to employee participation in voluntary work programs, the company:	<input type="checkbox"/> is not involved	<input type="checkbox"/> provides support	<input checked="" type="checkbox"/> organizes and provides incentives	<input type="checkbox"/> will not be involved	<input type="checkbox"/> will provide support	<input checked="" type="checkbox"/> will organize and provide incentives
Total number of complaints and criticisms from consumers:	at company NA	at Procon NA	at Justice NA	at company NA	at Procon NA	at Justice NA
% of complaints and criticisms solved:	at company NA %	at Procon NA %	at Justice NA %	at company NA %	at Procon NA %	at Justice NA %
Total added value to be distributed (thousand R\$)	In 2011: 14,383			NA		
Distribution of Economic Value Added (EVA)	58.38% governments 8.40% shareholders 9.95% employees 8.40% retained 14.87% third parties			NA		

	INFORMATION / REPORTS / GRI INDICATORS	PAGES	COMMENTS
1	Strategy and Analysis		
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	10	
1.2	Description of key impacts, risks, and opportunities	21	
2	Organizational Profile		
2.1	Name of the organization	16	
2.2	Primary brands, products, and/or services	16	
2.3	<i>Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.</i>	16	
2.4	Location of organization's headquarters	16	
2.5	Number of countries where the organization operates	16	
2.6	Nature of ownership and legal form.	16	
2.7	Markets served	16	
2.8	Scale of the reporting organization	back cover, 2, 16, 37	
2.9	Significant changes during the reporting period regarding scale, structure, or ownership	6, 16	
2.10	Awards received in the reporting period	132	
EU1	Installed capacity, broken down by primary energy source and by regulatory regime	90	
EU2	Net energy output broken down by primary energy source and by regulatory regime	90	
EU3	Number of residential, industrial, institutional and commercial customer accounts	53	
EU4	Length of above and underground transmission and distribution lines by regulatory regime	back cover	"Additional Information: - All transmission lines are aerial; - Subtransmission lines are largely aerial, with 16 km of underground lines. - The distribution network is mostly underground, although 687 km are aerial"
EU5	"Allocation of CO2e emissions allowances or equivalent, broken down by carbon trading	-	Cemig hasn't already trade credits, because its current projects did not reach the phase where the reduction emission certificates are obtained at UNFCCC.
3	Framework for the report		
	Report Parameters		
3.1	Report Profile	6	
3.2	Reporting period (e.g., fiscal/calendar year) for information provided.	6	
3.3	Date of most recent previous report (if any).	6	
3.4	Reporting cycle (annual, biennial, etc.)	6	
	Contact point for questions regarding the report or its contents.		
3.5	Report Scope and Boundary	6, 7	
3.6	Process for defining report content	6	
3.7	Boundary of the report	6	

	INFORMATION / REPORTS / GRI INDICATORS	PAGES	COMMENTS
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	6	
3.9	Data measurement techniques and the bases of calculations	6	No decisions that do not apply GRI protocols or that diverge from them were reported.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	back cover, 6	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	back cover, 6	
	GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report.	136-146	
	Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report.	6	
4	Governance, Commitments, and Engagement		
	Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	36	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	13	Does not apply to Cemig's Corporate Governance model
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	40	Does not apply to Cemig's Corporate Governance model
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	40	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	40	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	40	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	40	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	26, 38	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	38, 40, 42	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	40	There are no such processes in Cemig
	Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	46	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	36	

	INFORMATION / REPORTS / GRI INDICATORS	PAGES	COMMENTS
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	76, 100	
	<i>Stakeholder Engagement</i>		
4.14	List of stakeholder groups engaged by the organization	7,8	
4.15	Basis for identification and selection of stakeholders with whom to engage	8	
4.16	<i>Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group</i>	-	A new Stakeholder Engagement it is planned to be reported in 2012
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	8	
5	Management Approach and Performance Indicators		
	Economic Performance		
	Economic reports relating to the specific form of management of the Power Sector		
	Availability and reliability		
EU6	Management approach to ensure short and long-term electricity availability and reliability.	28, 30, 57, 126	
	Aspect: Demand-Side Management		
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	51	
	Aspect: Research and Development		
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	28	
	Aspect: Plant Decommissioning		
EU9	Provisions for decommissioning of nuclear power sites.	-	Do not apply. Cemig does not operate or have nuclear power plants.
	Economic Performance Indicators		
	Aspect: Economic Performance		
EC1	Direct economic value generated and distributed	67	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	21	
EC3	Coverage of the organization's defined benefit plan obligations	123	
EC4	Significant financial assistance received from government	32	
	Aspect: Market Presence		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	120	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	113	
EC7	"Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation."	119	
	Aspect: Indirect Economic Impacts		
EC8	<i>Aspect: Indirect Economic Impacts</i>	30	
EC9	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	32	
	Understanding and describing significant indirect economic impacts, including the extent of impacts.		

INFORMATION / REPORTS / GRI INDICATORS		PAGES	COMMENTS
Aspect: Economic Performance			
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	90	
Aspect: System Efficiency			
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	82	
EU12	Transmission and distribution losses as a percentage of total energy	55	
Environmental Performance			
Environmental Performance Indicators			
Aspect: Materials			
EN1	<p>“Materials used by weight or volume.</p> <p>Comments on the indicator: Report in-use inventory of solid and liquid high level and low level PCBs contained in equipment.”</p>	79, 80	
EN2	Percentage of materials used that are recycled input materials	80	
Aspect: Energy			
EN3	Direct energy consumption by primary energy source	back cover, 82	
EN4	Indirect energy consumption by primary source.	82	
EN5	Energy saved due to conservation and efficiency improvements	79, 82	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	92, 93	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	82	
Aspect: Water			
EN8	<p>“Total water withdrawal by source.</p> <p>Comments on the indicator: Report overall water usage for processing, cooling and consumption in thermal and nuclear power plants, including use of water in ash handling.”</p>	back cover, 81, 82	
EN9	Water sources significantly affected by withdrawal of water.	81	
EN10	Percentage and total volume of water recycled and reused.	-	The amount of recycled or reused water by Cemig is insignificant
Aspect: Biodiversity			
EN11	“Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.”	84	
EN12	<p>“Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</p> <p>Comments on the indicator: Include maintenance of transmission line corridors; fragmentation and isolation (islandization); and impacts of thermal discharge.”</p>	86, 87, 88, 90	
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	84	
EN13	Habitats protected or restored.	84, 87, 88	

	INFORMATION / REPORTS / GRI INDICATORS	PAGES	COMMENTS
EN14	<p>"Strategies, current actions, and future plans for managing impacts on biodiversity.</p> <p>Comments on the indicator: Report the impacts (including fragmentation and isolation), develop mitigation measures and monitor the residual effects of new units and existing units with respect to the following: areas with forest, landscape, ecosystems and freshwater wetland. The assessment and mitigation plans must consider the conservation of native species, changes in migration, or create habitat for animals (like fish transposition) caused by the infrastructure of the organization (such as power lines and dams)."</p>	83, 84, 86	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	-	Not available
	Aspect: Emissions, Effluents, and Waste		
EN16	<p>"Total direct and indirect greenhouse gas emissions by weight.</p> <p>Comments on the indicator: Report emissions of CO₂ per MW/h broken down by country or regulatory system, to:</p> <ul style="list-style-type: none"> - the net generation from the total generation capacity - the net generation from all fossil fuel generation - estimated liquid delivery to end users. <p>Include emissions from its own generation, as well as gross energy purchased, including line losses."</p>	back cover, 94	
EN17	Other relevant indirect greenhouse gas emissions by weight	94	
EN18	Initiatives to reduce greenhouse gas emission and reductions achieved	79, 92	
EN19	Emissions of ozone-depleting substances by weight.	94	
EN20	<p>"NO, SO, and other significant air emissions by type and weight.</p> <p>Comments on the indicator: Report emissions per MWh net generation"</p>	94	
EN21	<p>"Total water discharge by quality and destination.</p> <p>Comments on the indicator: Include thermal discharges."</p>	81, 82	
EN22	<p>"Total weight of waste by type and disposal method.</p> <p>Comments on the indicator: Include PCB waste. Report on nuclear waste using IAEA definitions and protocols. Report mass and activity of spent nuclear fuel sent for processing and reprocessing per year. In addition, report radioactive waste produced per net MWh nuclear generation per year. Report (in terms of mass and activity) low/intermediate level waste and high level waste separately, based on IAEA radioactive waste classification. This should also include waste produced from reprocessing activities, where data is available."</p>	back cover, 80	
EN23	Total number and volume of significant spills.	-	There were no significant spills at Cemig, in 2011
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	-	Cemig does not make international waste transportation.

	INFORMATION / REPORTS / GRI INDICATORS	PAGES	COMMENTS
EN25	"Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff."	88, 90	
	Aspect: Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	79, 80, 82, 83, 92	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	-	Does not apply
	Aspect: Compliance		
EN28	"Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations."	-	Cemig did not receive any fine or environmental sanctions in 2010
	Aspect: Transport		
EN29	"Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce."	83, 94	
	Aspect : Overall		
EN30	Total environmental protection expenditures and investments by type.	back cover, 77	
	Social Performance		
	Labor Practices and Decent Work Performance Indicators		
	Aspect: Employment		
EU14	Programs and processes to ensure the availability of a skilled workforce.	122	
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	116	
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	114, 126	
LA1	"Total workforce by employment type, employment contract, and region. Comments on the indicator: Report on total contractor workforce (contractor, subcontractor, independent contractor) by employment type, employment contract and region."	115, 116	
LA2	"Total number and rate of employee turnover by age group, gender, and region. Comments on the indicator: For the employees leaving employment during the reporting period, provide the average length of tenure of employees leaving broken down by gender and age group."	116	
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.	-	Not available
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	114	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	120	

	INFORMATION / REPORTS / GRI INDICATORS	PAGES	COMMENTS
	Aspect: Labor/Management Relations		
LA4	<p>"Percentage of employees covered by collective bargaining agreements.</p> <p>Comments on the indicator: Report on percentage of contractor employees (contractor, subcontractor and independent contractor) working for the reporting organization covered by collective bargaining agreements by country or regulatory regime."</p>	125	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	126	
	Aspect: Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	127	
LA7	<p>"Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region.</p> <p>Comments on the indicator: Report on health and safety performance of contractors and subcontractors working onsite or on behalf of the reporting organization off site."</p>	back cover, 130	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	128, 129	
LA9	Health and safety topics covered in formal agreements with trade unions.	126	
	Aspect: Training and Education		
LA10	Average hours of training per year per employee by employee category.	back cover, 122	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	116	
LA12	Percentage of employees receiving regular performance and career development review	120	
	Aspect: Diversity and Equal Opportunity		
LA13	"Composition of governance bodies and breakdown of employees per category according to gender, age group, minority	116	
LA14	group membership, and other indicators of diversity."	117	
	Ratio of basic salary of men to women by employee category		
	Human Rights Performance Indicators		
HR1	Aspect: Investment and Purchase Practices	-	Clauses on human rights is in process of internal evaluation for implementation
HR2	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	114	

INFORMATION / REPORTS / GRI INDICATORS		PAGES	COMMENTS
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	38	
	Aspect: Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken.	116	
	Aspect: Freedom of Association and Collective Bargaining Core		
HR5	<p>Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.</p> <p>Comments on the indicator: Report on management mechanisms to address the right to organize, right to bargain and right to strike or instances of lock out given the context of the industry's need to ensure continuous provision of essential services. Where the right to strike does not exist or is limited, report on remedial measures such as binding arbitration. Where freedom of association or expression are limited or prevented by regulatory regime, report on mechanisms and processes that exist for getting employee input on conditions of employment.</p>	125	
	Aspect: Child Labor		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	114	
	Aspect: Forced and Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	114	
	Aspect: Security Practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	-	Not available
	Aspect: Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	-	Cemig has no administrative lawsuit on the subject
	Society Performance Indicators		
	Aspect: Community		
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	7, 100	
EU20	Approach to managing the impacts of displacement.	101	
	Aspect: Prevention and preparation for emergency and disaster		
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	52, 58, 128	

INFORMATION / REPORTS / GRI INDICATORS		PAGES	COMMENTS
Aspect: Community			
S01	<p>"Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.</p> <p>Comments on the indicator: Include discussions of programs related to:</p> <ul style="list-style-type: none"> • Ways in which information is exchanged and local population is involved, prior, during and after the event and the provision for intervener funding for the local population; • Influx of workers and impacts on neighboring communities (including changes to local social structures and culture); • Changes to land-use including loss of global commons (e.g. access to land, natural resources, and heritage); • Impacts on infrastructure (e.g. roads, housing), and access to services (e.g. education, utilities, healthcare); and • Changes to the aesthetics and quality of the landscape." 	101	
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.	101	
Aspect: Corruption			
S02	Percentage and total number of business units analyzed for risks related to corruption.	38	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	-	Não houve treinamento sobre o tema.
S04	Actions taken in response to incidents of corruption.	38	
Aspect : Public Policy			
S05	Public policy positions and participation in public policy development and lobbying.	100, 102	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	108	
Aspect: Anti-Competitive Behavior			
S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	108	
Aspect: Compliance			
S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	58	
Product Responsibility Performance Indicators			
Aspect: Access			
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	104, 105	
Aspect: Provision of Information			
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	112, 131	

INFORMATION / REPORTS / GRI INDICATORS	PAGES	COMMENTS
Aspect: Customer Health and Safety		
<p>PR1</p> <p>“Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.</p> <p>Comments on the indicator: For electric utilities the following categories should also be assessed:</p> <ul style="list-style-type: none"> • Resource planning • Generation • Transmission • Distribution • Use <p>State the processes for assessing community health risks including monitoring, prevention measures and, if applicable, long term health-related studies. Identify community health risks that are assessed such as:</p> <ul style="list-style-type: none"> • Compliance with exposure limit(s) to electric fields (in kV per m) and magnetic fields (in μT) where available, for members of the public and employees in the areas in which the reporting organization operates” 	52, 126, 127	
<p>PR2</p> <p>Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.</p>	-	There was no case concerning non-compliance on the subject in the period
<p>EU25</p> <p>Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.</p>	130	
Aspect: Products and Services Labeling		
<p>PR3</p> <p>“Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements”</p>	-	There is no labeling on energy services
<p>PR4</p> <p>“Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes”</p>	-	There is no labeling on energy services
<p>PR5</p> <p>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction</p>	112	
Aspect : Marketing Communication		
<p>PR6</p> <p>“Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship”</p>	108	
<p>PR7</p> <p>“Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes”</p>	108	
Aspect : Customer Privacy		
<p>PR8</p> <p>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</p>	113	
Aspect: Compliance		
<p>PR9</p> <p>Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services</p>	58	No significant fine related to the theme occurred during the period

INFORMATION / REPORTS / GRI INDICATORS		PAGES	COMMENTS
	Aspect: Compliance		
EU26	Percentage of population unserved in licensed distribution or service areas	104	
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime	109	
EU28	Power outage frequency	back cover, 57	
EU29	Average power outage duration	back cover, 57	
EU30	Average plant availability factor by energy source and by regulatory regime	90	

Legenda: Sectorial Indicators

GLOBAL COMPACT	PAGES
Human Rights	
Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights	100, 125
Principle 2: Make sure that they are not complicit in human rights abuses	100, 125
Labour	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	125
Principle 4: Elimination of all forms of forced and compulsory labour	114
Principle 5: Effective abolition of child labour	114
Principle 6: Elimination of discrimination in respect of employment and occupation	116
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges	77, 83, 90
Principle 8: Undertake initiatives to promote greater environmental responsibility	76, 77, 79, 83
Principle 9: Encourage the development and diffusion of environmentally friendly technologies	28, 95
Anti-Corruption	
Principle 10: Businesses should work against corruption in its all forms, including extortion and bribery	38

BUREAU VERITAS' INDEPENDENT ASSURANCE STATEMENT

INTRODUCTION

Bureau Veritas Certification **Brasil (Bureau Veritas)** has been engaged by Companhia Energética de Minas Gerais S.A (Cemig) to conduct independent assurance of its 2011 Annual Sustainability Report (the Report), covering evaluation of the report content, quality and the reporting boundary. The information and its presentation in the Report are the sole responsibility of the management of Cemig. Bureau Veritas' responsibility was to provide independent assurance according to the scope defined below.

SCOPE OF WORK

The assurance process was conducted to meet the requirements of a Type 2 assurance engagement as defined by AA1000 (2008)¹⁸.

Bureau Veritas assurance scope included the following:

- Data and information included in the Report covering the calendar year of 2011;
- Evaluation of the Report against the AA1000 Principles of:
 - Inclusivity
 - Materiality
 - Responsiveness
- Evaluation of the Report against the principles: Sustainability Context, Completeness, Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability, as defined in the Sustainability Reporting Guideline - Global Reporting Initiative GRI-G3 (2006).
- Appropriateness and robustness of underlying reporting systems and processes used to collect, review and compile the information reported.

Excluded from the scope of our work is assurance of any information relating to:

- Activities outside the defined assurance period (see scope of work above).
- Company position statements (expressions

of opinion, belief, aim or future intention by Cemig) and future commitment.

- Economic-financial information contained in the Report, itself extracted from validated financial statements that are subject to external audit conducted by an independent financial auditor.

METHODOLOGY

Our work was conducted using Bureau Veritas' internal protocol for the Independent Assurance of Sustainability Reports, based on current best practice¹⁹ and including the following activities:

1. Interviews with relevant personnel (text owners) responsible for the Report data and information;
2. Review of documentary evidence produced by Cemig for the 2011 reporting period.
3. Evaluation of information and performance data against the principles that ensure information Quality, as defined by GRI G3.
4. Site visits as follows: UniverCemig (Corporate University and Training Center); Hydro Powerplant; and social/environmental projects of: Três Marias East Transmission Unit, Distribution Unit of Ipatinga, Hydro Power Plant of Salto Grande, Logistic and Material Quality Unit, Company Eficientia, Material Distribution Center of Jatobá, (CDM) and Head Office - Belo Horizonte (MG).
5. Review of stakeholder engagement activities and response to stakeholders through the reporting process, conducted by Cemig.
6. Evaluation of the methodology used to determine Material issues for inclusion in the Report, considering the sustainability context and completeness of such reported information.

The assurance process was designed to provide a high level of assurance concerning the nature and extent of Cemig's adherence to the AA1000 AS accountability principles and a high level of assurance of the reliability of specified performance information within the report, providing a reasonable basis for our conclusions.

OUR FINDINGS AND OPINION

- The report has evolved in terms of presentation of the future vision of Cemig, demonstrating the first integrated strategic planning of the Cemig

¹⁸ Published by AccountAbility: The Institute of Social and Ethical Accountability <http://www.accountability.org.uk>

¹⁹ Bureau Veritas' independent assurance protocol, as deployed for this assignment, is based on the International Standard on Assurance Engagements (ISAE) 3000, AA1000 2008 Assurance Standard and the GRI G3 Sustainability Reporting Guidelines

group, established in 2011. In this context, six commitments for the year 2012 were defined, in the economic, social and environmental dimensions.

- Cemig published performance data against the core indicators of the GRI-G3 Guidelines and the Sector Supplement - Sustainability Reporting Guidelines & Electric Utility Sector Supplement, Version 3.0/EUSS Final Version, plus several additional indicators of the GRI- G3.
- Regarding indicators that require specific data on contract workers and information on the number of days worked by contractors, such as LA1, EU17 and EU18, Cemig is transparent in stating that it does not have such information,. Whilst we evidenced effective management of quality, health, safety, environmental aspects for contracted work, Cemig's management is focused on performance of complete contracted services and therefore does not address specific elements required by the indicators stated above.
- The reliability of data presented on consumption of administrative water has evolved, but there are still estimated data, interfering in the results of indicator EN8.
- The report provides consistent data about the events received by the ombudsman. Starting next publication it will be possible to analyze the performance of Cemig based on data comparability.
- The Relevance Test carried out at the end of 2009 was used as the basis for defining the material issues for the 2011 Report. Cemig believes that the issues identified remain the most relevant. Although it is not up to date, the process is still effective, providing completeness and balance to the reporting.
- Cemig submitted its inventory of greenhouse gas (GHG) emissions to independent verification, resulting in a certificate of compliance with the NBR 14064 standard. The data used to compose the EN16 indicator were extracted from this inventory.
- According to the scope of verification, the information and data presented in the report have been assessed as accurate, free of material

misstatement or misrepresentation, accessible and understandable to the identified stakeholders;

- The report reflects positive and negative aspects of the organization in a balanced, impartial and objective manner concerning the information presented.
- During the process of Report Verification all issues identified during the assurance have been adequately addressed by Cemig.
- The self-assessment by Cemig against the GRI Guidelines G3, as demonstrated in the report Index, is confirmed as a result of assurance work to have met an application level of A+.

OPPORTUNITIES FOR IMPROVEMENT

- Regarding the definition of medium-term goals, we found scattered information throughout the Report. We recommend to Cemig's management to give priority to the establishment of formal objectives for the coming years in order to have substantial elements for accountability of its performance before society.
- Consider engagement with Local Governments when applying the new Materiality Test for future reporting. CEMIG is present in all municipalities of the State of Minas Gerais and there is a strong interaction with local administrations.
- Improve the standardization of methods for measuring water consumption, to obtain more reliable data, allowing the reader to have an understanding of the environmental performance of Cemig concerning the EN8 indicator.
- Present objective information about the results of monitoring the biodiversity of protected areas, both in terrestrial and aquatic environments, as Cemig is present in two hotspots: Cerrado and Atlantic Forest.
- Consider the inclusion of clauses relating to human rights in contracts of significant investments by aligning its social responsibility to economic decisions.
- Search for systematization of data on companies working for Cemig and contract workers, in order to obtain more detailed information on LA1, the EU17 and EU18 indicators.

STATEMENT OF INDEPENDENCE, IMPARTIALITY AND COMPETENCE

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental management with more than 180 years history in providing independent assurance services.

No member of the assurance team has a business relationship with Cemig, its Directors or Managers beyond that required of this assignment. We have conducted this assurance independently, and it is our opinion that there has been no conflict of interest.

Bureau Veritas has implemented a Code of Ethics across its business to maintain high ethical standards among staff in their day to day business activities.

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São Paulo, April 2012.

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A Melhor Energia do Brasil.

GOVERNO DE MINAS GERAIS