

G4-10

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EU4 EI

8 EU29 E

31 EN15 EN8

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

Initiative - GRI. Grammation on the GRI methodology, please visit the website: www.globalreporting.org

Number of employees (G4-10) 8,859 8,706 8,368 7,922 7 Number of municipalities served 774 774 774 774 774 Concession area - km² ² 567,740 567,740 567,740 567,478 567,740 EEC - Number of interruptions (EU28) 6,56 7,01 7,04 6,26 EEC - Number of interruptions (EU28) 13.00 14.32 14.74 12.49 1 Number of plants in operation³ 66 66 70 70 Installed capacity - MW (EU1)⁴ 6,896 6,964 7,038 7,038 7,038 7,038 Extension of transmission lines - km (EU4)⁴ 16,835 16,915 17,594 17,218 16,821 12,92 12,128 12,128 12,128 12,129 12,128	GENERAL DATA	2010	2011	2012	2013	2014
Number of municipalities served 774 774 774 774 774 Concession area - km² 2 567,740 56	Number of consumers - in thousands ¹	7,065	7,336	7,535	7,781	8,008
Concession area - km² 2 567,740 567,740 567,740 567,740 567,478 567 FEC - Number of interruptions (EU28) 6.56 7.01 7.04 6.26 DEC - Hours (EU29) 13.00 14.32 14.74 12.49 1 Number of plants in operation³ 66 66 70 70 1 Installed capacity - MW (EU1)⁴ 6.896 6.964 7.038 7.038 7 Extension of transmission lines - km (EU4)⁴ 8.768 8.794 9.413 9.748 9 Extension of subtransmission lines - km (EU4)⁴ 16.835 16,915 17,594 17,218 16 Extension of the distribution network - km Total 453,935 467,679 493,150 486,045 491 (EU4) Urban 91,465 104,482 108,400 98,175 95 Rural 362,470 363,197 384,750 387,870 32 ECONOMIC DIMENSION 2010 2011 2012 2013 2014 Lajida or Ebitda - R\$ million	Number of employees (G4-10)	8,859	8,706	8,368	7,922	7,922
FEC - Number of interruptions (EU28) 6.56 7.01 7.04 6.26 DEC - Hours (EU29) 13.00 14.32 14.74 12.49 17.00 Number of plants in operation ³ 66 66 70 70 Installed capacity - MW (EU1) ⁴ 6.896 6.964 7.038 7.038 7.038 7.038 7.038 7.038 Extension of transmission lines - km (EU4) ⁴ 8.768 8.794 9.413 9.748 9.50 Extension of subtransmission lines - km (EU4) ⁴ 16.835 16.915 17.594 17.218 16.50 Extension of subtransmission lines - km (EU4) 16.835 16.915 17.594 17.218 16.50 Extension of the distribution network - km Total 453,935 467,679 493,150 486,045 491, (EU4) Urban 91,465 104,482 108,400 98,175 99, 400, 400, 400, 400, 400, 400, 400,	Number of municipalities served	774	774	774	774	774
DEC - Hours (EU29)	Concession area - km² ²	567,740	567,740	567,740	567,478	567,478
Number of plants in operation3 66 66 70 70 70 1 1 1 1 1 1 1 1 1	FEC - Number of interruptions (EU28)	6.56	7.01	7.04	6.26	5.58
Installed capacity - MW (EU1) ⁴	DEC - Hours (EU29)	13.00	14.32	14.74	12.49	10.77
Extension of transmission lines - km (EU4) ⁴ 8,768 8,794 9,413 9,748 9 Extension of subtransmission lines - km (EU4) 16,835 16,915 17,594 17,218 16 Extension of the distribution network - km Total 453,935 467,679 493,150 486,045 491, (EU4) Urban 91,465 104,482 108,400 98,175 99 Rural 362,470 363,197 384,750 387,870 392 ECONOMIC DIMENSION 2010 2011 2012 2013 2014 Net operational revenues - R\$ million 12,863 15,749 14,137 14,627 19, Lajida or Ebitda - R\$ million 4,543 5,351 5,084 5,983 6, Net profit (loss) - R\$ million 2,258 2,415 4,272 3,104 3, Stockholders' equity - R\$ million 11,476 11,745 12,044 12,638 11, Market cap - R\$ million 18,220 22,694 19,292 17,629 16, Dividends paid - R\$ million 5 1,196 2,036 2,918 2,818 Dividend Yield (%) 9 11 22 9,2 17,629 16, ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million 543,3 53,4 59,4 52,4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617. R&D investments on the environment (R\$ million) 0.8 2.5 6,66 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9)	Number of plants in operation ³	66	66	70	70	70
Extension of subtransmission lines - km (EU4) 16,835 16,915 17,594 17,218 16 Extension of the distribution network - km Total 453,935 467,679 493,150 486,045 491. (EU4) Urban 91,465 104,482 108,400 98,175 95. Rural 362,470 363,197 384,750 387,870 392. ECONOMIC DIMENSION 2010 2011 2012 2013 2014 Lajida or Ebitda - RS million 4,543 5,351 5,084 5,983 6. Net profit (loss) - RS million 2,258 2,415 4,272 3,104 3. Stockholders' equity - RS million 11,476 11,745 12,044 12,638 11. Market cap - RS million 18,220 22,694 19,292 17,629 16. Dividends paid - RS million 18,220 22,694 19,292 17,629 16. Dividends Paid - RS million 5 1,196 2,036 2,918 2,818 2. ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 2014 Resources invested in the environment - RS million 54,3 53.4 59.4 52.4 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 2014 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617. R&D investments on the environment (RS million) 0.8 2.5 6.6 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 2014 Average number of hours of training per employee (LA9)	Installed capacity - MW (EU1) ⁴	6,896	6,964	7,038	7,038	7,717
Extension of the distribution network - km Total	Extension of transmission lines - km (EU4) ⁴	8,768	8,794	9,413	9,748	9,748
Market cap - R\$ million Market cap - R\$	Extension of subtransmission lines - km (EU4)	16,835	16,915	17,594	17,218	16,160
Rural 362,470 363,197 384,750 387,870 392 ECONOMIC DIMENSION 2010 2011 2012 2013 2014 Net operational revenues - R\$ million 12,863 15,749 14,137 14,627 19 Lajida or Ebitda - R\$ million 4,543 5,351 5,084 5,983 6 Net profit (loss) - R\$ million 2,258 2,415 4,272 3,104 3 Stockholders' equity - R\$ million 11,476 11,745 12,044 12,638 11 Market cap - R\$ million 18,220 22,694 19,292 17,629 16 Dividends paid - R\$ million 18,220 22,694 19,292 17,629 16 Dividend Yield (%) 9 11 22 9.2 2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million 54.3 53.4 59.4 52.4 (EN31) ⁶ 29.2 97.2 97.2 97.3	distribution network - km Total	453,935	467,679	493,150	486,045	491,848
ECONOMIC DIMENSION 2010 2011 2012 2013 2014 Net operational revenues - R\$ million 12,863 15,749 14,137 14,627 19 Lajida or Ebitda - R\$ million 4,543 5,351 5,084 5,983 6 Net profit (loss) - R\$ million 2,258 2,415 4,272 3,104 3 Stockholders' equity - R\$ million 11,476 11,745 12,044 12,638 11 Market cap - R\$ million 18,220 22,694 19,292 17,629 16 Dividends paid - R\$ million fs 1,196 2,036 2,918 2,818 Dividend Yield (%) 9 11 22 9.2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3	Urban	91,465	104,482	108,400	98,175	99,818
Net operational revenues - R\$ million 12,863 15,749 14,137 14,627 19 Lajida or Ebitda - R\$ million 4,543 5,351 5,084 5,983 6 Net profit (loss) - R\$ million 2,258 2,415 4,272 3,104 3 Stockholders' equity - R\$ million 11,476 11,745 12,044 12,638 11 Market cap - R\$ million 18,220 22,694 19,292 17,629 16 Dividends paid - R\$ million 1,196 2,036 2,918 2,818 Dividend Yield (%) 9 11 22 9,2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN	Rural	362,470	363,197	384,750	387,870	392,030
Lajida or Ebitda - R\$ million 4,543 5,351 5,084 5,983 6 Net profit (loss) - R\$ million 2,258 2,415 4,272 3,104 3 Stockholders' equity - R\$ million 11,476 11,745 12,044 12,638 11 Market cap - R\$ million 18,220 22,694 19,292 17,629 16 Dividends paid - R\$ million ⁵ 1,196 2,036 2,918 2,818 Dividend Yield (%) 9 11 22 9.2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506		2010	2011	2012	2013	2014
Net profit (loss) - R\$ million 2,258 2,415 4,272 3,104 3 Stockholders' equity - R\$ million 11,476 11,745 12,044 12,638 11 Market cap - R\$ million 18,220 22,694 19,292 17,629 16 Dividends paid - R\$ million ⁵ 1,196 2,036 2,918 2,818 Dividend Yield (%) 9 11 22 9.2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8		12,863				19,540
Stockholders' equity - R\$ million 11,476 11,745 12,044 12,638 11 Market cap - R\$ million 18,220 22,694 19,292 17,629 16 Dividends paid - R\$ million ⁵ 1,196 2,036 2,918 2,818 Dividend Yield (%) 9 11 22 9.2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 Average number of hours of training per employee (LA9) 75.66						6,382
Market cap - R\$ million 18,220 22,694 19,292 17,629 16,000 Dividends paid - R\$ million 5 1,196 2,036 2,918 2,818 Dividend Yield (%) 9 11 22 9.2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) 6 54.3 53.4 59.4 52.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) 7 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO2 emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 44						3,137
Dividends paid - R\$ million ⁵ 1,196 2,036 2,918 2,818 Dividend Yield (%) 9 11 22 9.2 2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 4						11,285
Dividend Yield (%) 9 11 22 9.2 ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 44	·					16,812
ENVIRONMENTAL DIMENSION 2010 2011 2012 2013 201 Resources invested in the environment - R\$ million (EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 4	·	1,196	2,036	2,918	2,818	797
Resources invested in the environment - R\$ million 54.3 53.4 59.4 52.4 (EN31) ⁶ 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 44						23.5
(EN31) ⁶ 54.3 53.4 59.4 52.4 Fleet fuel consumption (GJ) 217,553 198,640 180,407 169,470 144 Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO ₂ emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 4		2010	2011	2012	2013	2014
Installed capacity free of GHG emissions (%) 97.2 97.2 97.3 97.3 Total water consumption - m³ (EN8) ⁷ 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO2 emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 44		54.3	53.4	59.4	52.4	52.8
Total water consumption - m^3 (EN8) 7 1,848,261 1,597,078 1,449,756 1,313,486 1,424 Direct CO2 emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617 R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 4	Fleet fuel consumption (GJ)	217,553	198,640	180,407	169,470	144,780
Direct CO2 emissions - metric tons (EN15) 59,922 24,506 53,573 146,101 617. R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 44.18	Installed capacity free of GHG emissions (%)	97.2	97.2	97.3	97.3	97.3
R&D investments on the environment (R\$ million) 0.8 2.5 6.6 10.0 SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 4	Total water consumption - m³ (EN8) ⁷	1,848,261	1,597,078	1,449,756	1,313,486	1,424,540
SOCIAL DIMENSION 2010 2011 2012 2013 201 Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 43.18	Direct CO ₂ emissions - metric tons (EN15)	59,922	24,506	53,573	146,101	617.717
Average number of hours of training per employee (LA9) 75.66 43.18 35.50 69.6 4	, , , ,	· · · · · · · · · · · · · · · · · · ·	2.5			11.7
(LA9) 75.66 43.18 35.50 69.6 4		2010	2011	2012	2013	2014
Total recovers invested in accial responsibility. DO		75.66	43.18	35.50	69.6	49.37
thousand ⁸ 77,440 75,074 115,023 83,234 109	Total resources invested in social responsibility - R\$ thousand ⁸	77,440	75,074	115,023	83,234	109,622
Accident frequency rate - own employees (LA6) ⁹ 0.41 0.25 0.23 0.34	Accident frequency rate - own employees (LA6) ⁹	0.41	0.25	0.23	0.34	0.34
Accident frequency rate - contracted employees 0.60 0.79 0.51 0.45 (LA6) ⁹		0.60	0.79	0.51	0.45	0.42

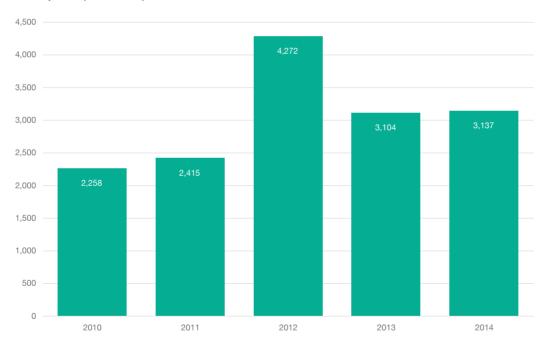
 $^{^{1}}$ The chart with the number of consumers per category is described under the item "Cemig's Market".

³ Figures for Cemig.

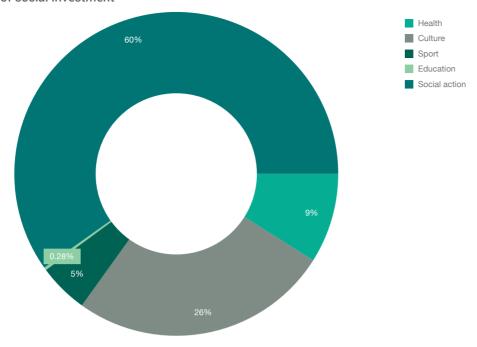
- $^2\, {\sf Contemplates\ changes\ in\ previous\ years,\ reflecting\ only\ the\ concession\ area\ of\ Cemig\ Distribuição.}$
- ⁴ Consolidated Cemig figures, proportionally including the stakes held in controlled / affiliated companies.
- $^{\rm 5}$ Dividend amount for 2014 to be proposed at the General Shareholders' Meeting on April 30, 2015.
- 6 Total resources invested in the environment destined for operation, maintenance, and new ventures.
- ⁷ Total water consumed for administrative and industrial purposes.
- ⁸ Sum of resources invested in External Social Indicators and Total Internal Social Indicators For further information, see the Social Responsibility Report.
- 9 Number of accidents resulting in injuries with time lost, per 200,000 hours worked.

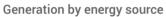
SELECTED GRAPHS

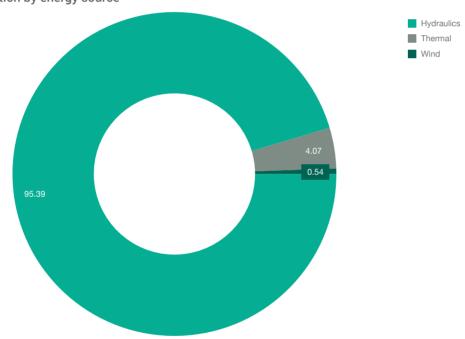
Net profit (R\$ million)

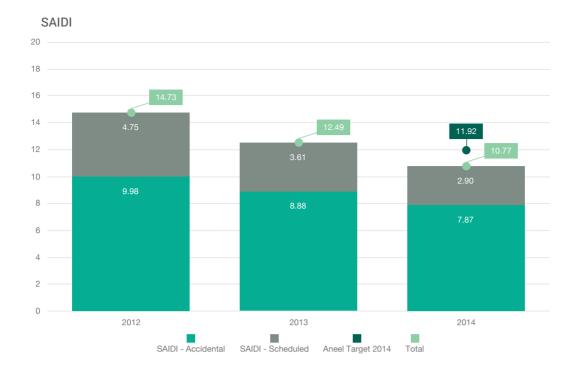


Areas of social investment





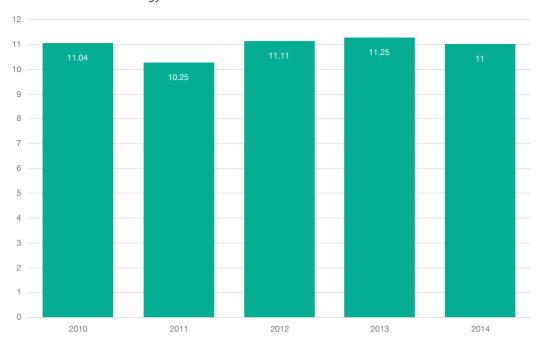




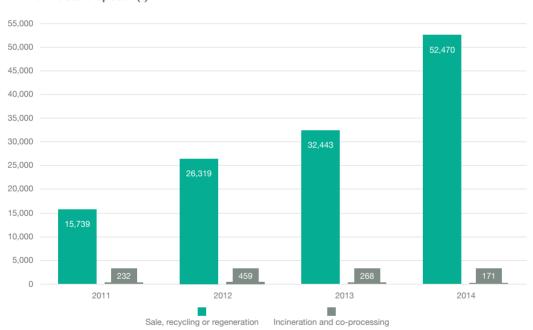




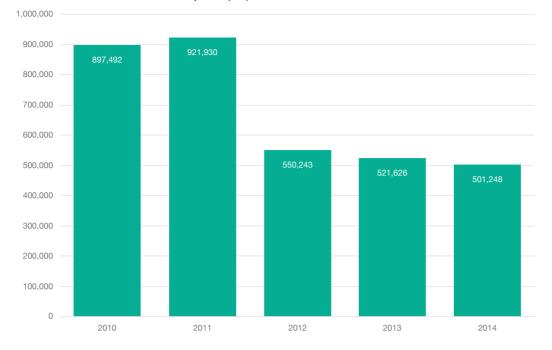
Distribution: total energy losses



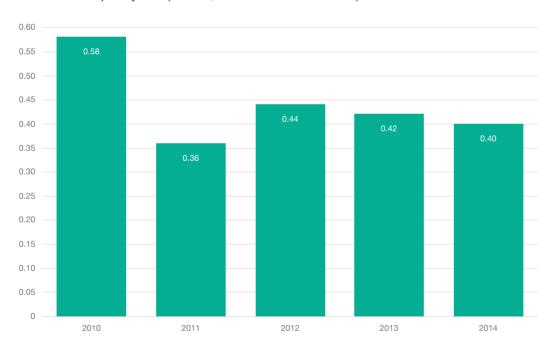
Final waste disposal (t)



Administrative Water Consumption (m³)



Accident frequency rate (US 200,000 criterion - labor force)



ABOUT THIS REPORT

INTRODUCTION

This is Cemig's **Annual and Sustainability Report on the year 2014.** It gives information on Cemig's performance for all of its operations, and principally, those factors that may contribute to the Company's economic, social and environmental sustainability. It is a comprehensive corporate instrument for dialogue with all stakeholders about the Company's activities and performance; and it also serves as a management tool for Cemig's various divisions, showing the development of indicators and metrics related to matters over which they have responsibility.

All accounting data disclosed in this report have been previously audited by Deloitte Touche Tohmatsu Auditores
Independentes for the Company's financial statements, which are presented according to International Financial Reporting
Standards (IFRS) and are available on the Cemig website. As a guarantee of overall quality and of the content of the data
contained in this report, in addition to the audit of economic and financial data Cemig commissioned an independent
verification, with reasonable scope — carried out by Bureau Veritas Certification — of application in this report of the principles
and indicators of the Global Reporting Initiative (GRI) and the Global Compact.

If there has been any revision of the information that was presented in previous reports, for example due to reclassifications or a revision of methods of measurement, an explanation of any changes is given adjacent to the data, to maximize transparency.

In line with global trends in the production and dissemination of corporate reports, Cemig has opted to adopt the GRI G4 methodology for the production of this document (Core Version). However, so as not to affect continuity in the supply of data and indicators that has already been presented in previous reports, the Company additionally decided to issue an expanded version of this report, called the Comprehensive Version, where the indicators present in the version for the prior year (2013), which followed the GRI 3.1 methodology, are maintained and updated for the G4 version, as well as the GRI Sector Supplement for the Utility Sector, and the report on progress in meeting the Ten Principles of the Global Compact.

The G4 Core Version is a less extensive document and, therefore, more reader-friendly, giving priority to quality and focus on the issues that are most important to the Company and its stakeholders. For each of the 11 aspects identified in the materiality test, Cemig has provided, over the length of the report, Disclosure of Management Approach (DMA): under the G4 methodology, this must include an explanation of the importance of the issue to the Corporation, how it is managed, what are the risks involved, and what are the related goals and objectives. Additionally, the Company has tried, in part, to follow IIRC guidelines for the preparation of Integrated Reporting, which includes the firm's business model and information on integration between programs and projects.

Both versions, G4 Core and G4 Comprehensive, are available to read or download on the Cemig website, including formats that are compatible with tablets and smartphones.

Questions regarding this report can be directed to Cemig's Corporate Sustainability Management (sustentabilidade@cemig.com.br) or the Investor Relations Department (ri@cemig.com.br) – there are further details on the Company's website.

LIMITS OF THE REPORT

The financial data presented in this report refers to the group of companies in which the holding company, **Cemig** (*Companhia Energética de Minas Gerais*) holds a stake, except where stated in the text. The non-accounting information is primarily for the holding company and the two main wholly-owned subsidiaries *Cemig Distribuição S.A.* ('Cemig Distribution' or '**Cemig D**') and *Cemig Geração e Transmissão S.A.* ('Cemig Generation and Transmission' or '**Cemig GT'**), but where indicated may also cover other Cemig Group subsidiaries. The accounting data is consolidated according to criteria established by Brazilian law (for more details, see Note 2 of the Standardized Financial Statements – ('DFP') on the Company's website). The name **Cemig** is used in reference to the group of companies. The terms **Group** and **Company** are used as a synonym for "Cemig," unless stated otherwise in the text. The name **Companhia Energética de Minas Gerais** – spelled out – is used when the reference is to the holding company alone, i.e. excluding all subsidiaries.

This report gives information on companies including **Light**, **Taesa** and **Renova**, in whose management Cemig participates through participation on their boards of directors and committees. Though these companies have their own reports, containing complete quantitative and qualitative information, their inclusion in this report is justified by the importance of their contribution in achieving the Group's strategic objectives.

In relation to the large hydroelectric projects that are located in Brazil's northern region – *Santo Antônio* and *Belo Monte* – in which Cemig is a minority stockholder and not involved in the operational management nor holder of a controlling stake, this report also presents information that aims to explain their importance in the Company's strategy and their key actions. The consortia that are building these projects have the responsibility for those projects, but Cemig has sought to provide as much information as possible about these operations.

The scope of activities covered by this report has not changed from the previous year.

MATERIALITY MATRIX

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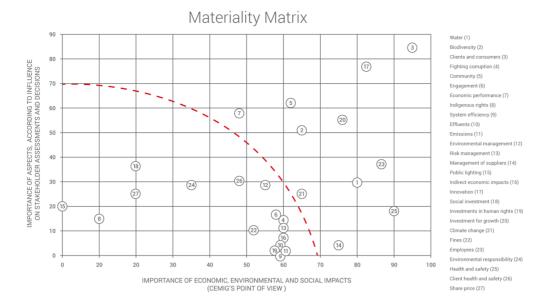
The Materiality Test is a procedure used annually by Cemig, with the maximum breadth and depth possible, to ascertain expectations of stakeholders within the organization's area of influence, to highlight aspects to be addressed in communicating with the various publics, and to guide the Company's management systems. Its outcomes constitute the main guide and input for construction of Cemig's Annual and Sustainability Report on 2014.

Through an institutional process known as Stakeholder Mapping, the Company has defined the following relationship groups of interest:

- Government;
- Stockholders and investors;
- Residential clients:
- Corporate clients;
- Communities (NGOs, society, universities, research centers and other social organizations);
- Employees;
- Suppliers; and
- Media.

To perform the test, which followed the guidelines of the GRI G4 materiality principle, Cemig used a combination of input methods: external and its own internal data sources, including the Company's Strategic Planning; research on the perception of stakeholders carried out during the year through corporate communications channels; sustainability rating agencies; news clippings published in 2014 about Cemig and its economic sector; consideration of internal policies, media analysis, organizational values, organizational climate research results, risks and opportunities, and internal perceptions collected through direct participation of key members of management.

This procedure resulted in the following Materiality Matrix, which indicates the eleven most material aspects of the study (on the right-hand side of the curve). These will be the main topics addressed in this report. The report also addresses the other aspects, but with less emphasis.



The process of developing the methodology to be applied to the Materiality Test, and its final result, were subjected to independent verification by Bureau Veritas Certification.

CONTENT OVERVIEW

The Index for the GRI Indicators and Global Compact Principles at the end of this report presents a summary of all available information.

Tags throughout the text highlight the related GRI indicators, material issues (DMAs) and principles of the Global Compact – to facilitate the reader's ability to associate and locate the corresponding indicators or principles.

GLOSSARY

For optimum understanding of the terms used, Cemig has created a glossary, available at:

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

MESSAGE FROM THE MANAGEMENT

MESSAGE FROM MANAGEMENT

G4-1

In his speech at the appointment ceremony of the new Executive Board on January 23, 2015, Minas Gerais State Governor Fernando Pimentel gave the following brief description of the guidelines that will orient Cemig's activity in the coming years:

"There will be full support from the of Minas Gerais State government for our primary objective: to reconcile the legitimate interest of stockholders, productivity, profits and development with the very legitimate interests of the employees – safe working conditions and appropriate salaries – and the interests of consumers in efficiency and quality.

There is no contradiction between seeking to provide for the legitimate desires of the stockholder, and reconciling them with the expectations of consumers and employees. This is Cemig's great challenge, and I believe it is the great challenge for any company that has both the State and legitimate private interests as stockholders. It is a challenge which I am certain both the

Board of Directors and the Executive Board will know how to judge."

We have a clear perception of the challenge.

Cemig has always had, and will continue to have, a leading role in the Brazilian electricity sector, acting as one of the major groups consolidating the sector and using its experience – from its more than 60 years' existence – in the building of major projects.

We have viable alternatives for growth, making use of the opportunities that the sector offers, as well as those which already represent a path for vigorous growth – such as the natural gas sector, and generation from renewable sources.

Clearly the greatest priority in the short term is to deal appropriately with the dispute on extension of the concession contracts of the Jaguara, São Simão and Miranda hydroelectric plants. The difficulties are many, but we are seeking the best solution for the legal dispute through negotiation with the federal government.

Another highlight is the alliance of generation assets that we have made with Vale S.A., creating a new company, Aliança Geração de Energia S.A., which will come into being already with combined assets greater than R\$ 4.5 billion, of which Cemig will have 45% ownership, starting activities in March 2015. With this association, we increase the potential of generating new business and maximizing profits in electricity generation, due to the combination of experiences in operational, financial and project management.

In electricity distribution, we have investments planned for the period 2015 to 2018, date of the next tariff review, totaling nearly R\$ 3 billion, which demonstrates our commitment to the development of Minas Gerais State, and to producing quality electricity supply to our 8 million consumers in the State.

As well as its investment programs, Cemig is a company with a technical staff that is highly qualified to act firmly, together with the State and Federal governments, in improving the electricity tariff system, reducing costs of generation of electricity, and serving consumers with more quality.

To our stockholders, the message that we would like to give you at this initial moment, is to emphasize the extremely important role that you have for Cemig, and to maintain our position: that we are always together, always jointly seeking the best results for all those who form the pillars of this Company.

We will at all times work transparently, and we consider that one of our challenges is to find the ideal balance so that all our publics are fully satisfied – a dividend policy that meets stockholders' desires, and also meets the need for growth to guarantee the market share of a company of this scale.

In relation to operational management, we will seek to meet the criteria for efficiency and quality with moderate costs, compatible with the best global and Brazilian practices. Complying with the regulatory rules will be priority for all our businesses that are regulated.

We believe that the Company's engines of growth are our employees. So we will employ the best management practices to ensure that the people who work in our Company have full opportunity and qualification.

Everything we do is always based on the principles of sustainability and social responsibility, and this is shown in Cemig's presence in the *Dow Jones Sustainability World Index* and in the *Global Compact 100* index of the United Nations Global Compact – which brings together 100 companies from all over the world that are both committed to corporate sustainability and also have leading performance in the capital markets.

As well as the challenges inherent to the Company, in 2015 we will have to deal with a greater pressure on costs of electricity, with the thermal plants being dispatched to meet the needs of consumption, due to the low level of the reservoirs of the hydroelectric plants, which has resulted from the low rainfall since the end of 2013.

In this context, Brazil's rainfall in the coming months, as compared with historic averages, will be a determining factor for

energy policy and prices of electricity in the short and medium term.

Finally, in spite of all the challenges and complexities of the electricity sector, we have confidence in the future, and we know we have the support of our employees and our stockholders for Cemig to continue to be recognized as: Brazil's Best Energy.

Board of Directors

Subsequent event: According to letters in the Company's possession, several members of the Board of Directors who were elected at the Annual and Extraordinary General Meetings held concurrently on April 30, 2014 resigned in January 2015. An Extraordinary General Meeting of Stockholders held on January 22, 2015 elected new sitting members of the Board of Directors and their respective substitute members for the remainder of the current term of office or until the Annual General Meeting to be held in April 2016. The Board of Directors is now as follows:

Sitting Members



JOSÉ AFONSO BICALHO BELTRÃO DA SILVA



MAURO BORGES LEMOS



ALLAN KARDEC DE MELO FERREIRA



ARCÂNGELO EUSTÁQUIO TORRES QUEIROZ



HELVÉCIO MIRANDA MAGALHÃES JUNIOR



MARCO ANTÔNIO DE REZENDE TEIXEIRA



MARCO ANTÔNIO SOARES DA CUNHA CASTELLO BRANCO



NELSON JOSÉ HUBNEF MOREIRA



GUY MARIA VILLELA PASCHOAL



EDUARDO BORGES DE



OTÁVIO MARQUES DE AZEVEDO



PAULO ROBERTO







Substitute Members

ANA SÍLVIA CORSO

FRANKLIN MOREIRA WIELAND SILBERSCHNEIDER

ANTÔNIO DIRCEU ARAÚJO XAVIER

RICARDO WAGNER RIGHI CARLOS FERNANDO DA FLÁVIO MIARELLI

BRUNO MAGALHÃES MARINA ROSENTHAL

Audit Board

The Audit Board was elected at the Annual and Extraordinary General Meetings of Stockholders held concurrently on April 30, 2014, and has not changed at the date of this report:

Sitting Members











Substitute Members

MARCUS EOLO DE

ARI BARCELOS DA SILVA

ALIOMAR SILVA LIMA

SALVADOR JOSÉ CARDOSO DE SIQUEIRA RAFAEL PINTO QUEIROZ NETO

Executive Board

A meeting of the new Board of Directors on January 22, 2015 appointed a new Executive Board, as follows:



MAURO BORGES LEMOS

Chief Executive Officer



MATEUS DE MOURA LIMA GOMES

Deputy Chief Executive Officer



FERNANDO HENRIQUE SCHÜFFNER NETO

Chief Officer for Business Development



MÁRCIO LÚCIO SERRANC

Chief Corporate Management Officer



ANDRADE FERREIRA

Division



RICARDO JOSÉ CHARREI

Chief Distribution and Sales



EVANDRO LEITE VASCONCELOS

Chief Trading Officer



FABIANO MAIA PEREIRA

Chief Finance and Investor



GONCALVES

Transmission Officer



LIJIZ FERNANDO BOLLA

Chief Institutional Polations



RAUL LYCURGO LEITE

Chief Counsel

COMPANY PROFILE

CEMIG

Recognitions 2014

- Listed in the Dow Jones Sustainability Index for the 15th consecutive year
- 3rd consecutive year in the Dow Jones Emerging Markets
- Ranked incorporate sustainability index ISE BM&FBovespa for the 10th consecutive year
- Selected to the ICO2 index of BM&FBovespa for the 5th consecutive year
- Selected to compose the new index of the UN Global Compact Global Compact 100 (GC100)
- Recognized by CDP as the Brazilian company leader in "Transparency" in the dissemination of information related to climate change
- Classified in Standards & Poor's credit rating as BB+ in the global scale and as brAA+ in the national scale, with a stable outlook for both
- Selected by Sustainalytics (Netherlands)
- Considered by the 3rd consecutive year as "Prime" by Oekom Research (Germany)
- Selected to compose the 2014 MSCI Global Sustainability Indexes

COMPANY PROFILE

Companhia Energética de Minas Gerais (Cemig) operates in generation, transmission, marketing and distribution of electricity, energy solutions (Efficientia S.A.) and distribution of natural gas (Gasmig). The Cemig Group comprises the holding company (Cemig), its two main wholly-owned subsidiaries — Cemig Geração e Transmissão S.A. ('Cemig Generation and Transmission', or 'Cemig GT') and Cemig Distribuição S.A. ('Cemig Distribution', or 'Cemig D') — and other subsidiaries and affiliates, a total of 206 companies, 18 consortia and two Equity Investment Funds (FIPs), with assets in 23 of the Brazilian states (including the Federal District), and in Chile.

http://www.cemig.com.br/pt-br/a_cemig/quem_somos/Documents/organograma_2014_04_30.pdf

The Company also operates in exploration and distribution of **natural gas** (through **Gasmig**), and in data transmission (**Cemig Telecom**). With a direct interest of 26.06%, Cemig also controls **Light** S.A., an electricity distributor serving 31 cities in the state of Rio de Janeiro, a region with over 11 million consumers. Cemig also has an interest of 43.36%, exercising control, in the transmission company **Taesa** (Transmissora Aliança de Energia Elétrica S.A.).

As part of a growth strategy increasingly aiming to expand in renewable energy sources, in 2014 Cemig became part of the control block (27.4%) of **Renova**, a leading company in Brazil's wind power market, which also owns investment portfolios in solar and other renewable sources. Its main aim with this transaction is for Renova to be Cemig's vehicle for expansion in the non-traditional renewable energy sources (i.e. other than hydroelectric).

Cemig's stakes in the capital of its main subsidiaries and affiliates

GENERATION	TRANSMISSION	DISTRIBUTION	GAS	OTHER BUSINESSES
Cemig Geração e Transmissão S.A. (Cemig GT) 100% Cemig	Cemig Geração e Transmissão S.A (Cemig GT) 100% Cemig	Cemig Distribuição S.A. (Cemig D) 100% Cemig	Cia. de Gás de Minas Gerais (Gasmig) 99.57% www.gasmig.com.br	Axxiom Soluções Tecnológicas S.A. 51% Light 49% Cemig www.axxiom.com.br
Light S.A. 26.06% Cemig www.light.com.br	Transmissora Aliança de Energia Elétrica S.A. (Taesa) 43.36% www.taesa.com.br	Light S.A. 26.06% Cemig www.light.com.br		Efficientia S.A 100% Cemig www.efficientia.com.br
Norte Energia S.A. (Belo Monte) 7.28% www.norteenergia.com.br				Cemig Telecom S.A. 99.99 % Cemig www.cemigtelecom.com.b r
Santo Antônio 10% Cemig www.santoantonioenergia.c om.br				
Renova Energia S.A. 27.4% www.renovaenergia.com.br				











GENERATION	TRANSMISSION	DISTRIBUTION	GAS	TRADING
Installed capacity:	Total network	Total network	1.531 billion m ³ of	Market
7,717 MW	length: 9,748 km	length: 525,224 km	gas sold	share approximately 22%

Outstanding assets and inputs contribute to Cemig's leading position as a power company: the technical capacity and quality of its workforce, recognized for its expertise both in Brazil and internationally; its base of natural resources, mainly hydroelectric (97% of its installed generation capacity is hydroelectric); access to the financial capital it needs for continuous development of its business; the inputs provided by its suppliers; plus the consideration that it gives to the needs and expectations of its stakeholders.

In all its activities Cemig seeks to achieve sustainable growth focused on creating value for its shareholders, employees, suppliers and society. Its investments in expansion of its businesses to supply the markets in which it operates, and its commitment to quality customer service, are a physical materialization of Cemig's strategic vision, which is based on the principles of sustainability and social and environmental responsibility.

The following chart illustrates Cemig's business model:

CORPORATE GOVERNANCE RISK MANAGEMENT AND OPPORTUNITIES

LONG TERM STRATEGIC PLAN

MISSION, VISION AND VALUES





Cemig celebrated 62 years of operations in 2014, with 7,922 direct employees. Since its founding, on May 22, 1952, Cemig has assumed a role of leadership in economic and social development in an innovative and sustainable manner in the regions where it operates. This has led to its position as Brazil's largest power distributor in terms of network length, and one of Brazil's largest power generation and transmission companies.

Learn more about Cemig's history.

For a more detailed description of Cemig's businesses, click here.

Click here for the organization chart showing the complete structure of the Cemig Group companies.

MISSION, VISION AND VALUES

G4-56

Cemig's management is based on the guidelines expressed in the Mission, Vision and Values set out in its Long-Term Strategic Plan, and in its Strategic Planning.

Cemig's Mission:

"To operate in the energy sector with profitability, quality and social responsibility."

Cemig's Vision:

"To consolidate Cemig's position, over the course of this decade, as the largest group in the Brazilian electricity sector by market value, with a presence in the natural gas market, and as a global leader in sustainability, admired by its clients and recognized for its solidity and performance."

Cemia's Values

The company's **values** are: the beliefs and attitudes that give personality to the relationship between Cemig and people. They are nurtured, supported and sustained by: **Integrity; Ethics; Wealth; Social Responsibility; Enthusiasm at Work;** and **Entrepreneurial Spirit.**

ETHICAL CONDUCT

Cemig has had its *Statement of Ethical Principles and Code of Professional Conduct* since 2004. It is issued to all employees through the Company's corporate Intranet, and is also available on the Web. It contains 11 principles on conduct and ethical values that have become embedded in Cemig's culture. These principles reinforce our corporate governance system and regulate the behavior, actions and professional decisions of employees, managers, directors and members of the Board of Directors and Audit Board, as well as outsourced workers and service providers. The content of the document specifies the additional responsibilities of senior management, including board members, other management levels and employees with respect to ethical principles.

The Company has also developed its own anti-fraud policy, formally establishing that engaging in and/or concealing fraudulent and corrupt activities — in all their forms, including bribery, extortion, graft and money laundering — are unacceptable practices. This policy, approved by the Executive Board, disclosed to all employees through the firm's corporate Intranet and made available on the Internet, also establishes the responsibilities of the directors, managers and employees of the Company and of its wholly-owned subsidiaries.

Cemig maintains an internal control system to prevent fraud and corruption, aligned with the requirements of the U.S. Sarbanes-Oxley Act (SOX). Highlights of the control activities that are audited annually are: orientation against unethical practices, corruption and fraud (Anti-Fraud Policy); the Whistleblower's Channel; Human Resources policies on recruitment and remuneration; the enterprise risk management process; information security procedures; segregation of duties performed manually and those performed by computer systems; limits of autonomy; and internal control system monitoring activities, conducted by the Company's Internal Audit Office.

Cemig has a Three-Year Internal Audit Plan, which requires assessment of all business processes at least every three years. The objective is to ensure that procedures continue to be appropriate and fit for purpose, and that there is compliance with all laws, rules, standards and internal procedures. The decisions on which processes and companies will be audited in a year are based on the degree of risk that they represent for the business and for Cemig's financial statements. High-risk processes are prioritized and audited more frequently (in some cases, annually), whereas audits for low-risk processes are scheduled for every three years. Among risk factors evaluated are those related to fraud. Risk factors are reviewed during the audit planning process, aiming to identify any changes that may have taken place.

No cases of corruption involving Cemig were identified through any internal audit, nor through the Whistleblower's Channel, in 2014.

In 2014 approximately 200 newly-hired employees attended 'Cemig First Energy' training sessions, at which they are introduced to the Statement of Ethical Principles and Code of Professional Conduct, and given their own copy in the form of a printed guide. Cemig also makes an online training page available to all employees on its Intranet, addressing the main concepts and ethical principles. To reinforce dissemination of the Principles and their acceptance, all new employees — simultaneously with signature of their employment contract — are required to sign a Solemn Undertaking that they are aware of and will obey the values and principles contained in the Statement of Ethical Principles and Code of Professional Conduct.

In 2014 Cemig made online training on Brazil's Federal Anti-Corruption Law (Law 12,846 of 2013) available to all employees online. This law, which took effect in February 2014, specifies administrative and civil liability for legal entities that commit acts against the public administration, domestic or foreign.

As of January 2015 all contracts signed between suppliers and Cemig require the supplier to undertake: "to be aware of and comply with the rules specified in Law 12,846 of January 8, 2013 (the 'Anticorruption Law'); to refrain from committing any acts that may be contrary to the public administration, and to denounce any irregularity of which it becomes aware, through the channels made available by Cemig."

CORPORATE GOVERNANCE

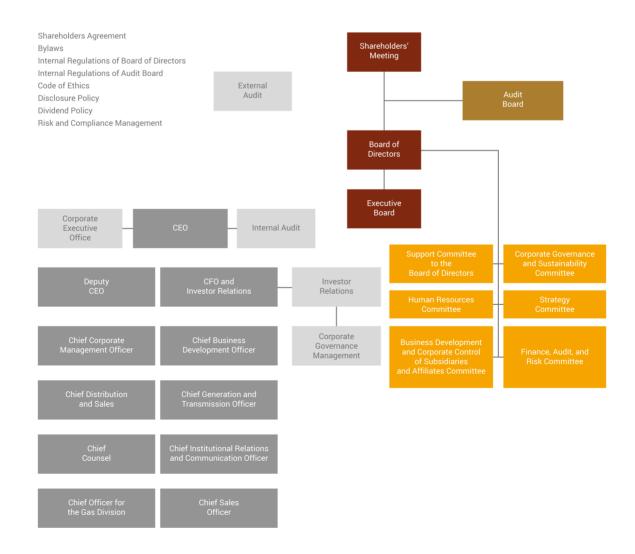
GOVERNANCE MODEL AND LEADING PRACTICES DMA

G4-34 G4-7

Among numerous steps taken to create a well-structured and transparent governance model, Cemig adopts the Best Corporate Governance Practices recommendations of the Brazilian Corporate Governance Institute (IBGC). They prioritize trust, integrity, and respect for stockholders, investors, clients, employees, suppliers, society and government.

Learn more about Cemig's corporate governance model on the Company's Investor Relations website.

The following chart illustrates the structure and principal mechanisms of Cemig's corporate governance.



G4-40

G4-41

G4-57

Since 2001, the company has adopted the Level 1 Corporate Governance Practices of the São Paulo Stock Exchange – BM&FBovespa. These are listed on the BM&FBovespa website.

The controlling stockholder of **Cemig** is **the State of Minas Gerais**, which owns 51% of the common (voting) shares. Another major stockholder is **AGC Energia** S.A., holding 32.96% of the common shares. At the EGM held on April 30, 2014, AGC Energia nominated five of the 14 elected members of the Board of Directors. The term of office of the directors elected at that meeting expires in April 2016.

Other corporate governance practices:

- Internal Regulations of the Board of Directors
- Internal Regulations of the Audit Board
- Distinctive by-laws

Cemig's by-laws establish a distinctive, pro-market dividend policy, as can be seen in the Capital Markets section of this report. Among other matters, the by-laws:

- require investments to be concentrated in the Company's core business;
- set out senior management's obligations and limits of autonomy, based on the Long-Term Strategic Plan; and
- establish the Company's borrowing limits, thus reducing any insolvency risk.

GENERAL MEETINGS OF STOCKHOLDERS

In accordance with current law, the Annual General Meeting (AGM) is held each year before the end of April. Extraordinary General Meetings (EGMs) may be held at any time in the year, as necessary. Both are called at least 15 days in advance: convocation must be published through the CVM, and on the Company's Investor Relations website and in major national newspapers.

The dates of the meetings held in 2014, a summary of their main decisions, and the dates of meetings so far scheduled for 2015, can be found in Cemig's Corporate Events Calendar.

In 2014 five EGMS were held as well as the mandatory AGM.

Comments, suggestions or recommendations about general meetings may be e-mailed to: ri@cemig.com.br or using the Investor Relations website http://ri.cemig.com.br

MANAGEMENT

Cemig's management comprises two corporate bodies: the **Board of Directors**, and the **Executive Board**. The Board of Directors is elected by the Annual General Meeting. It elects its own Chair and Vice-Chair, and appoints the Executive Officers – the members of the Executive Board.

The **Board of Directors** consists of 15 sitting members, and their respective substitute members, all elected by the stockholders. They have a range of different but complementary backgrounds and experience. Of the current sitting members, eight were elected by the controlling stockholder, **the State of Minas Gerais**; five by **AGC Energia S.A.**; and one by the investment fund **FIA Dinâmica Energia**. Four of the present sitting members can be described as 'independent members' by the IBGC criteria. All members of the Board of Directors and their substitute members serve for periods of office of two years, which may be renewed on expiration. The period of office of the current members runs until the Annual General Meeting to be held in April 2016.

Subsequent event: A General Meeting of Stockholders made changes to the Board of Directors and the Executive Board in

January 2015. These are described in the opening pages of this report.

The résumés of Cemig's management can be found here.

The Board of Directors met 27 times in 21014, making decisions on issues ranging from strategic planning to individual investment projects. At the start of each meeting, members are invited to indicate whether they have any conflict of interest in relation to the items on the agenda.

Information on the composition, election, term, principal responsibilities and duties of the Board of Directors are contained in the Internal Regulations of the Board of Directors.

Since 2006, committees of members of the Board of Directors have been formed to review and discuss, in advance, matters to be decided by the Board. The duties of each committee can be seen on the Company's website.

Cemig's **Executive Board** has 11 members, whose functions are specified in the by-laws, and meets weekly. Its members are elected and may be removed at any time by the Board of Directors, and serve for three-year terms of office, which may be renewed. They may simultaneously hold unremunerated management positions in Cemig's subsidiaries and/or affiliates.

Their current period of office expires at the first meeting of the Board of Directors to be held after the 2015 Annual General Meeting. The Executive Board held 65 meetings in 2014.

The Executive Board is supported by 24 management committees, two subcommittees and one commission, made up of executives from various areas of the Company, which meet whenever activated, to support the Executive Board and the Board of Directors with optimum input and analysis when taking decisions.

The **Audit Board** is elected at the Stockholders' Meeting. It is established permanently, comprising five members and their respective substitute members who, in conformity with international practice, satisfy the requirement for independence. They are elected by the Annual General Meeting of Stockholders, for a one-year term, which may be extended via re-election.

Election of members of Audit Board by the stockholders is as follows:

- one member is elected by the holders of preferred shares;
- one member may be elected by holders of common shares not part of the controlling group, representing at least 10%
 of share capital; and
- three members are elected by the controlling stockholder.

The Audit Board has the additional responsibility for reviewing all non-operational complaints forwarded to it by the Ethics Committee. These complaints, usually initially made through the 'Whistleblower's Channel' on Cemig's Intranet, are sorted into two categories, operational and non-operational. The Audit Board considers all non-operational complaints, and proposes a course of action to be carried out by the Internal Auditors. Under the exemption allowed by Rule 10-3A of the Exchange Act, U.S. Securities and Exchange (SEC), regulated by Release 82-1234, Cemig's Audit Board acts as an alternative to an Audit Committee. Cemig's Audit Board met ten times in 2014.

The Annual and Extraordinary General Meetings held on April 30, 2014 considered a proposal for the remuneration of the Board of Directors, the Executive Board and the Audit Board for fiscal 2013, and having received a statement in favor of it from the Corporate Governance Committee of the State of Minas Gerais, approved it. This recommendation was adopted in its entirety. The total allocation made was R\$ 21,164,000.00 – to include health insurance for the executive officers, at the same level as the benefits currently given under the Health Plan to all employees of the Company. The monthly remuneration for the CEO was set at R\$ 39,641.35, and at R\$ 33,978.30 for each of the other Chief Officers. Amounts for paid leave, bonuses, and other benefits are adjusted proportionately. The monthly remuneration of each member of the Board of Directors (unless they are also Executive Officers), subject to conditions related to attendance bonuses, is R\$ 6,898.62 – calculated as 20% of the average remuneration of an Executive Officer. The members of the Audit Board receive remuneration equivalent to 10% of the average amount received by Executive Officers, i.e. R\$ 3,449.31. Each substitute

member of the Audit Board earns R\$ 2,759.45, calculated as 80% of the monthly remuneration paid to the sitting member. See the item *Remuneration of Key Management Personnel* in Explanatory Note 27 to the Financial Statements.

BISK MANAGEMENT

Cemig practices corporate risk management as a tool to identify strategic and process or operational risks, to provide information enabling senior management to make optimal decisions in managing the Company's significant risks, thus preserving the Company's value.

Strategic risks are those related to the Company's objectives and vision, or to the possibility of strategic decisions not achieving intended outcomes. The Company has prepared a matrix identifying these risks – including such items as: 'Adverse hydrology / rationing,' 'Loss of concessions for Generation and Transmission assets' and 'Restraints on borrowing capacity'.

Process or operational risks can arise in the normal course of business; i.e., they are associated with people, systems and processes upon which the Company's operations depend. Mapped risks, such as 'Fish deaths in Cemig plants,' 'Reduction of reliable transmission and generation functions,' and 'Unavailability of transmission and generation functions' were also grouped into a matrix.

Cemig continued its review of the matrix process in 2014. New activity included research with senior management to list prioritized risks; and mapping of risks in the value chain and subjects related to Cemig's Social and Environmental Improvement Program.

Cemig is continuously enhancing its Risk Management methodology and the computerized system that serves its execution, thus continuously increasing the transparency and reliability of the process. In 2014, Cemig began a project to develop new methods to assist estimating of probability of occurrence and intensity of possible loss in the event of negative outcome from several events that could adversely affect results.

The risk factors to which Cemig is exposed are described in the Company's Reference Form.

Corporate risk management is overseen by the Corporate Risk Monitoring Committee (CMRC), whose primary function is to coordinate the operation of Cemig's risk management process.

The Company also has a Financial Risk Management Committee, to implement guidelines and monitor financial risks related to transactions that might adversely affect the Company's liquidity or profitability; and to recommend effective protection/hedging strategies against foreign exchange, interest rate and inflation risks, in line with the Company's overall strategy.

The principal risks to which the Company is exposed are described on Form 20-F.

Financial risk management

Investors and banks provide liquidity for Cemig's investments. With the limits imposed by Brazilian legislation on bank lending to the public sector, Cemig has in most cases used the capital markets for financing of its projects.

A description of the principal financial transactions of Cemig and its subsidiaries Cemig D and Cemig GT is in the Standardized Financial Statements ('DFP').

CEMIG'S STRATEGY

Cemig has a structured process for strategic planning and management, in which it sets the objectives it wants to achieve by 2035. The Board of Directors conducts the strategic planning process, with participation from the Executive Board, by first defining the Company's strategic fundamentals, represented in Cemig's Statements of Mission, Future Vision, and Values; in its Long-Term Strategic Plan and in its Strategic Guidelines (learn more about *Mission, Vision and Values* in the chapter entitled *Cemia*).

Cemig's Long-Term Strategic Plan contains the Cemig Group's Integrated Strategic Planning, and is focused on maximizing value generation, in consideration of four main groups of interaction – the pillars of Cemig's relationship with society: clients, community, the environment and investors – through empowerment of people, and implementation of synergies, that will lead the Group to be one of the principal agents of consolidation within the Brazilian electricity sector. Learn more about the activities related to, and our reporting on, these four pillars in the following four chapters of this report: *Clients and consumers, Community, Environment;* and *Financial results*.

The principal areas of strategic challenge set out in Cemig's Long-Term Strategic Plan are: (a) focus on execution, with improvement of operations and quality; (b) sustainable growth; and (c) identification and harnessing of synergies.

Cemig uses the Balanced Scorecard (BSC) tool to translate its strategy, and to communicate on it to stakeholders. Four strategic maps have been constructed – Corporate; Generation; Transmission; and Distribution. These contain the Company's challenges for each of these segments, each expressed as four headings – objectives; indicators; targets; and initiatives – enabling the Executive Board to monitor the implementation of strategies translated from the Long-Term Strategic Plan.



So that managers and employees know the strategies and and understand how they can contribute to its achieving, Cemig has adopted the concept of 'unfolding' of the strategic maps into 'panels' of: contributions; indicators; and actions – for each area of the organizational structure, aligned with the requirements of the Quality Management, Environment, and Health and Safety Systems.

The objectives, indicators, targets and initiatives are monitored through a structured flow of meetings at the various hierarchical levels. The objective of this flow is to correct deviations, review and adapt the strategy as needed. The idea is to allow the entire workforce to participate in the process of planning and managing the Company's strategy.

OBJECTIVES AND TARGETS

The following are Cemig's principal objectives and targets for the short and medium term. All are properly aligned with the strategic plan and referenced by the materiality test. Also listed is information on the implementation status of objectives that were described in the 2013 Report.

STRATEGIC OBJECTIVE	MATERIAL ASPECT	TARGET	STATUS	DEADLINE	GRI INDICATORS
	Economic performance	Limit consolidated debt to two (2) times Ebitda (earnings before interest, taxes, depreciation and amortization).	According to the resolution of the Extraordinary Shareholder's Meeting held in 12.02.2014, the Board of Directors authorized, exceptionally in 2014, for economic situation reasons, the limit of the relation between net debt and EBITDA to be at most 2.5 times. At the end of 2014, net debt reached 1.8 times EBITDA for the year, so within the new limits.	Annual	
Maximize shareholder value, sustainably, in accordance with Long-Term Strategic Plan		Limit consolidated Net debt/ (Equity + Net debt) to 40%	According to the resolution of the Extraordinary Shareholder's Meeting held in 12.02.2014, the Board of Directors authorized, exceptionally in 2014, for economic situation reasons, the debt ratio to be at most 50%. At the end of 2014, net debt was 51%.	Annual	4.9 and 4.11
			The proposed distribution of the result of the 2014 fiscal year, subject to the approval of the Ordinary Shareholder's Meeting held in 4.30.2015, is the payment of 50% of net income for the year, R\$ 230 million to be paid in the form of Interest on		

Share value	Distribute at least 50% of Net profit as dividends.	Own Capital and R\$ 567 million in the form of additional dividends, both to the date of 12.30.2015. As proposed, the remaining part of the dividends, R\$ 797 million will be kept as mandatory dividends reserve, to be paid as	Annual
		soon as the financial situation of Cemig	

allows.	-				
In 2014, investments of R\$ 1.55 billion were made, which, added to the amount invested in 2013, resulted in a 2017 cumulative value higher than R\$ 2 billion, equivalent to 127% of the target value.	R\$ 1.55 billion were made, which, added to the amount invested in 2013, resulted in a cumulative value higher than R\$ 2 billion, equivalent to 127% of	Invest R\$ 1.6 billion in Cemig Geração e Transmissão			
In 2014, investments of R\$ 1.8 billion were made, which, added to 2013 investments, resulted in a cumulative amount of R\$ 3 billion, equivalent to 62.7% of the target to be reached by 2017.	R\$ 1.8 billion were made, which, added to 2013 investments, resulted in a cumulative amount of R\$ 3 billion, equivalent to 62.7% of the target to be reached	Invest R\$ 4.9 billion in Cemig Distribuição (Cemig D)	Cemi	Increase cash generation	
433,270 new consumer connections 2017 made.	consumer connections	Serve 1.2 million new consumers in urban areas			
In 2014, consolidated \$ Lajida reached 2017 EC1, EC2, EC8 R\$ 6,382 million.	Lajida reached	Increase cash generation: achieve Ebitda of at least R\$ 6.447 billion	Economic performance		
2020		Reduce water consumption by 4% from 2011	Water		
Reduced by 5.8% over 2020 EN3, EN4, EN5, EN6,EN7	Reduced by 5.8% over	Reduce electric power consumption by 4% from 2011	Energy		
Reduced by 5.9% from 2008 EN15, EN16, EN17, EN18, EN19, EN20, EN21	-	Reduce greenhouse gas emissions (tCO2 _{eq} /MWh) by 8% from 2008	Climate change		
In 2014, 99.67% of industrial waste was 2020 EN23, EN24 or sold	industrial waste was recycled / regenerated	99% of industrial waste recycled / regenerated or sold	Waste		
In 2014, 787 kg of biomass affected	_	Maximum 1,772 kg of biomass affected			
t s Study is within established timetable	established timetable	Conclude study of riparian vegetation sustainability at Volta Grande Hydro Plant as part of Ecological and Biodiversity Conservation Processes Conclude Belo Horizonte			
R\$ 6,382 million. Reduced by 10.8% over 2011's consumption Reduced by 5.8% over 2011's consumption Reduced by 5.9% from 2008 EN15, EN15, EN17, EN17, EN19, EN1	R\$ 6,382 million. Reduced by 10.8% over 2011's consumption Reduced by 5.8% over 2011's consumption Reduced by 5.9% from 2008 In 2014, 99.67% of industrial waste was recycled / regenerated or sold In 2014, 787 kg of biomass affected Study is within established timetable	Reduce water consumption by 4% from 2011 Reduce electric power consumption by 4% from 2011 Reduce greenhouse gas emissions (tCO2 _{eq} /MWh) by 8% from 2008 99% of industrial waste recycled / regenerated or sold Maximum 1,772 kg of biomass affected Conclude study of riparian vegetation sustainability at Volta Grande Hydro Plant as part of Ecological and Biodiversity Conservation Processes	water Energy Climate change		

Ensure	Biodiversity	urban tree planting timetable, make the product a routine tool for work planning and scheduling	inventoried by December 2014; 200,000 remaining for conclusion	2015	EN11, EN12, EN13, EU13	
sustainability		Incorporate Integrated Vegetation Management into the methodology as a standard procedure for establishing transmission line firebreaks	R&D was concluded aiming to prepare Integrated Vegetation Management methodology for establishing transmission line firebreaks	2017		
		Review 2014-2018 socio- environmental adaptation program	Socio-environmental Adaptation Program Monitoring Committee revised and approved the program	2014		
	Satisfy the legislation	Revise Statement of Ethical Principles and Code of Professional Conduct	The Scope was prepared and contracting scheduled for 2015	2015	HR3, HR5, HR6	
		Intensify the Itinerant Ombudsman Project - Hold 1 interaction event per month (clarification of ombudsman procedures) within Cemig.	Project did not move forward, due to internal adjustments and changes to the <i>Way of</i> <i>Understanding</i> project	2014		
	Diversity and Equality	Prepare a reduced and simplified version of the Annual and Sustainability Report	The version was prepared and distributed to all employees	2014	HR3, EU24	
	Suppliers	Quality index of contracted	Target met, with 89.92%	2014	HR1, HR5,	
	Management	services above 80%		2014	HR6	
Ensure meeting the	Management Energy quality	SAIDI lower than 10.83 hours	Met: SAIDI was 10.77 hours	2017	EU6, EU29	
Ensure meeting the quality levels	Energy quality	SAIDI lower than 10.83 hours SAIFI below 7.56	Met: SAIDI was 10.77 hours Met. SAIFI was 5.58.		EU6, EU29 EU6, EU28	
quality levels defined by the	Energy quality Loss management	SAIDI lower than 10.83 hours SAIFI below 7.56 Total losses under 10.68%	Met: SAIDI was 10.77 hours	2017	EU6, EU29	
quality levels	Energy quality Loss	SAIDI lower than 10.83 hours SAIFI below 7.56	Met: SAIDI was 10.77 hours Met. SAIFI was 5.58. Total losses in 2014	2017	EU6, EU29 EU6, EU28	
quality levels defined by the	Energy quality Loss management Clients and	SAIDI lower than 10.83 hours SAIFI below 7.56 Total losses under 10.68% Perceived Quality Satisfaction	Met: SAIDI was 10.77 hours Met. SAIFI was 5.58. Total losses in 2014 were 11%	2017 2017 2017	EU6, EU29 EU6, EU28 EU6, EU12	
quality levels defined by the	Loss management Clients and Consumers	SAIDI lower than 10.83 hours SAIFI below 7.56 Total losses under 10.68% Perceived Quality Satisfaction index above 82% Review the Jobs and	Met: SAIDI was 10.77 hours Met. SAIFI was 5.58. Total losses in 2014 were 11% The Index was 81.3% The Jobs and Compensation plan is undergoing review - conclusion scheduled	2017 2017 2017 2017	EU6, EU29 EU6, EU28 EU6, EU12 PR5	
quality levels defined by the regulator Develop strategic skills in a	Loss management Clients and Consumers Employees	SAIDI lower than 10.83 hours SAIFI below 7.56 Total losses under 10.68% Perceived Quality Satisfaction index above 82% Review the Jobs and Compensation Plan Review the Performance Management Model Training Efficiency Index	Met: SAIDI was 10.77 hours Met. SAIFI was 5.58. Total losses in 2014 were 11% The Index was 81.3% The Jobs and Compensation plan is undergoing review - conclusion scheduled for mid-2015 The Performance Management Model is being improved: completion expected mid-2015 Index in 2014 was	2017 2017 2017 2017 2014	EU6, EU29 EU6, EU28 EU6, EU12 PR5 LA13, LA2	
quality levels defined by the regulator Develop strategic skills in a	Loss management Clients and Consumers Employees	SAIDI lower than 10.83 hours SAIFI below 7.56 Total losses under 10.68% Perceived Quality Satisfaction index above 82% Review the Jobs and Compensation Plan Review the Performance Management Model	Met: SAIDI was 10.77 hours Met. SAIFI was 5.58. Total losses in 2014 were 11% The Index was 81.3% The Jobs and Compensation plan is undergoing review - conclusion scheduled for mid-2015 The Performance Management Model is being improved: completion expected mid-2015	2017 2017 2017 2017 2014	EU6, EU29 EU6, EU28 EU6, EU12 PR5 LA13, LA2	
quality levels defined by the regulator Develop strategic skills in a	Energy quality Loss management Clients and Consumers Employees Employees	SAIDI lower than 10.83 hours SAIFI below 7.56 Total losses under 10.68% Perceived Quality Satisfaction index above 82% Review the Jobs and Compensation Plan Review the Performance Management Model Training Efficiency Index above 95% Over 47 hours' training per	Met: SAIDI was 10.77 hours Met. SAIFI was 5.58. Total losses in 2014 were 11% The Index was 81.3% The Jobs and Compensation plan is undergoing review - conclusion scheduled for mid-2015 The Performance Management Model is being improved: completion expected mid-2015 Index in 2014 was 96.1%	2017 2017 2017 2017 2014 2014	EU6, EU29 EU6, EU28 EU6, EU12 PR5 LA13, LA2 LA11 LA9, LA10	

Be an innovator regarding developing technological solutions for the	Innovation	Disburse R\$ 290 million in research and development	In 2014, more than R\$ 60 million invested in more than 160 ongoing projects	By 2018	EU8
businesses			projects		

The following table presents new goals and targets established in 2014:

STRATEGIC OBJECTIVE	MATERIAL ASPECT	TARGET	DEADLINE	GRI INDICATORS
Develop strategic skills in a sustainable manner	Employees	Have training index higher than 95%	2015	LA9, LA10
	Employees	Provide over 47 hours of training per employee	2015	LA9, LA10
	Employees	Conduct new services instructional training: Minimum environmental requirements	2015	LA9, LA10
Guarantee sustainability	Communities	Develop a condensed, simplified version of the Annual and Sustainability Report	2015	HR3, EU24
	Supplier Management	Contracted service quality index higher than 80%	2015	HR1, HR5, HR6
	Water	Power Plan Planning Efficiency Index (IEPE) over 94%.	2015	EN8, EN9
Take an innovative approach in the search for technological business solutions	Innovation	Execute simultaneous meter reading and printing of power bills for 7 million clients	2016	EU8
	Health and Safety	In the striving for Zero Accidents, achieve a workforce accident frequency rate less than 2.14	2015	LA7

CONCESSIONS

Generation

The company opted not to accept the terms of PM579/12 for renewal of the 18 electricity generation concessions that had already been renewed once by the concession-granting power, and as a result it will continue to earn revenues from these assets under the terms of the concession contracts.

For the concessions for the Jaguara, São Simão and Miranda plants, whose concession expiry dates are in the 1st term, with renewal specified contractually at August 2013, January 2015 and December 2016, respectively, the Company believes that it has the right to extend the concessions on the conditions prior to PM 579, under the clauses in those contracts and under Article 19 of Law 9074/1995.

See more details on this question in Explanatory Note 16 to the financial statements.

Transmission

When Provisional Measure 579/2012 (converted into Law 12783 of January 11, 2013) provided for bringing forward of expiration of concessions, the companies that agreed to renewal of their concessions, which Cemig GT did for its transmission business, retained their Annual Permitted Revenues (RAPs), that were time in force at that time, only up to December 2012. As another consequence of the renewal of concessions, the tariff review planned for 2013 will take place only in 2018.

In January 2013, as a result of the extraordinary review of transmission revenues, the new RAPs were published. The

significant reduction of RAPs took place because the revenues of the transmission companies, from that point on, included only the amounts relating to Operation and Maintenance of the assets, and other charges still existing at that time.

The rules for renewal stipulated an indemnity for the assets not yet depreciated, pre-defined tariffs for the electricity of the generators, new RAPs for the transmission companies, new standards of quality to be set by Aneel, and use of the IPCA inflation index for the annual updating of revenues in annual adjustments for transmission revenues, instead of adjustment by the IGP-M index, previously used.

For the transmission companies, assets existing before May 31, 2000 will receive compensation in the future. Aneel has not yet approved the calculation methodology for the setting of the amount of this compensation. For assets existing after May 31, 2000, compensation was made based on the New Replacement Value (*Valor Novo de Reposição*, or VNR), which was calculated by Aneel at R\$ 285 million.

With the compensation, the amounts relating to the remuneration and depreciation were removed from the RAP, which resulted in a different level of revenue for Cemig GT's transmission operation, set at R\$ 179 million (including the revenue from Itajubá), to be in effect from January through June 2013.

In July 2013 the annual adjustment of tariffs took place, and the RAP of Cemig GT was increased to R\$ 199 million, with the addition of revenues from new projects as well as the adjustment of the existing revenue from the previous period. The variation in the total RAP from January to July was 11.66%.

INVESTMENTS IN GENERATION, TRANSMISSION AND DISTRIBUTION DMA

The Cemig Group's growth targets, and what strategies will be used to achieve them, are established on the basis of the Long-Term Strategic Plan. Achieving sustainable growth, focused on development of electricity generation from renewable sources, is one of Cemig's strategic goals.

Cemig has adopted a structure for acquisitions based on partnerships with investment funds and strategic associates. Each of these partnerships establishes a vehicle for growth that enables the Company to assume a strategic and competitive position in the assets acquired, matching its expertise with the financial capacity of its partners — even though holding a minority interest.

When Cemig begins a merger/acquisition process, it considers due diligence to be of paramount importance – for evaluation, identifying, measuring and managing each risk or contingency. This is a multidisciplinary activity and involves a number of knowledge areas – technical, environmental, legal, corporate, regulatory, real-estate, accounting, tax, labor and financial. Thus, conducting due diligence is an indispensable tool in everything related to investment as a structure adopted by the Company for growth.

To ensure business continuity, progress in the market and reliability and availability of electricity to clients and consumers, Cemig monitors its equity holdings by overseeing the management and development of subsidiaries and associated companies, actively participating in their management bodies, adhering to the standards of good corporate governance, ensuring compliance with business plans and planning of the investment program. The following paragraphs list some of Cemig's major holdings, and highlight information about each.

Belo Monte

The Belo Monte hydroelectric power plant, managed by Norte Energia S.A. 🗗

Norte Energia S.A., formed to build and operate the Belo Monte Plant, is owned by private-sector and state-owned companies in the electricity sector, pension funds and investment funds, and self-producing companies.

on the

its building works had been completed at the end of 2014.

It comprises two sites, Belo Monte and Pimental. The first is the main, 18-turbine facility, with generating capacity of approximately 11,000 MW. The second is an auxiliary plant, with generating capacity of approximately 233 MW. When completed, Belo Monte will thus have 8.7% of Brazil's total installed generation capacity – making it the largest wholly Brazilian hydroelectric complex. It will also be the third largest in the world – after China's Three Gorges (22,500 MW), and the 14,000 MW bi-national Itaipu power plant (owned jointly by Paraguay and Brazil). The total investment in the Belo Monte project was R\$ 25.8 billion to date. Of this, R\$ 3.7 billion has been allocated to compensatory actions.

As regards the various environmental programs that comprise Belo Monte's Basic Environmental Project, in 2014 the Company was able to strengthen its focus on satisfying the general and specific conditions of its Installation License. In late 2014 Brazil's environmental regulator, Ibama, officially advised Norte Energia of the Federal Environmental Compensation Board's decision on funding, which, in keeping with current Brazilian law, calls for the creation and implementation of fully protected conservation areas. According to the decision, almost 90% of the amount was distributed for implementation of four existing federally protected areas managed by the Chico Mendes Institute for Biodiversity Conservation (ICMBio) and approximately 10% for the establishment of seven protected areas to be managed by the State of Pará's Environment and Sustainability Secretariat (SEMA-PA). Two areas within Belo Monte's area of influence are noteworthy. One is a wildlife refuge located in Tabuleiro do Embaubal, while the other, to be established in Volta Grande do Xingu, is an area ICMBio has suggested that Norte Energia use as a compensation zone.

Santo Antônio

At the end of 2014 the Santo Antônio hydroelectric plant had 32 rotors in operation – with combined generating capacity of approximately 2,300 MW. The plant put 15 new generating units into operation in the year. In November 2016, when it is complete and operating at full capacity, the complex will have 50 rotors, and generating capacity of 3,568 MW. It represents an investment of R\$ 20 billion, and now employs 457 people.

The International Hydropower Association (IHA), a non-profit founded some 20 years ago with Unesco support, which measures the sustainability of hydropower projects, gave the Santo Antônio Plant the maximum number of top grades in its *Implementation* category. Its evaluations are based on four project protocol models: early stage; preparation; implementation; and operation. The Santo Antônio facility was included in the implementation protocol following analysis of 20 topics, with analysis under various headings — evaluation, management, stakeholder communications, stakeholder support, consent, compliance and results. All the topics require technical documentation, internal and external interviews, and verifiable evidence of sustainability. This assessment underlines Santo Antônio's commitment to best global sustainability practices.

Light

In 2014, Light remained focused on energy loss management — primarily through modernization of metering, and legalization measures for irregular and delinquent clients. In the low-voltage segment, its modernization program investments — involving indirect metering of large commercial and industrial clients — helped boost the percentage of mass memory meter-monitored clients from 23% to 64%. Using this meter type, 9,135 upgrades were carried out in 2014, covering 14,182 clients. In the retail segment, over 189,000 electronic meters were installed, for a total of 630,000 clients being tele-metered and monitored in 2014 (detailed below), by the Measurement and Control Center (CCM) and by Zero Loss Areas (APZs). Additionally, 121,201 inspections and 50,681 normalizations were carried out, which, in 2014, generated a total of 176.9 GWh loss reduction, broken down as follows: 96.7 GWh in Energy Recovery; 51.5 GWh in Incorporated Energy; and 28.6 GWh in Load Reduction.

In parallel with the expansion of electronic measurement, modernizations, and adjustments in energy distribution, the Losses Reduction Program continued to invest in the *Light Legal* Project (*legal* has double meaning – formally, 'legal', and

colloquially, 'cool' / 'acceptable'), which focuses on the regularization of irregular and delinquent clients. In 2014, eleven (11) new Zero Loss Areas (APZs) were implemented, covering approximately 215,000 clients. At the end of year the project had thirty-seven (37) APZs in operation, covering almost 630,000 clients. Commercial losses in these regions fell from 50% to 18.6% by November 2014. Initial timely payments, which had stood at 90%, reached 97.16% in November 2014.

Renova

In 2014, the Board of Directors of Renova Energia S.A. (Renova) approved a capital increase by issue of 87,196,901 common shares, without par value, of which 87,186,035 were subscribed by Cemig GT. Cemig GT's stake in Renova thus increased to 27.4% of the total stock and 36.8% of its voting stock.

On July 4, 2014, the Brazilian Regulator, Aneel, published a notice in Brazil's federal Official Gazette that Renova's 14 wind farms – which had contracted supply at the 2009 Reserve Energy Auction (LER) — had begun commercial operation. From that point, their supply (total installed capacity of 294.4 MW) began to be calculated per the terms of the commercial contract between Renova and the CCEE (Electricity Trading Chamber). Until the start of commercial operation, these facilities had been receiving revenue for energy sold, under contract.

On October 13, 2014, Aneel published Dispatch 4108, dated October 10, approving startup of commercial operations for six of Renova's wind farms, the supply from which had been contracted at the 2010 LER. As of October 11, the power from these facilities (total installed capacity 167.7 MW) began to be calculated under the terms of the commercial contract between Renova and the CCEE.

In addition to start of commercial operation of these wind farms, another important step in 2014 was the November 24 announcement of a joint venture between Renova and Sun Edison Brasil, to build 1 GW of solar energy projects in Brazil.

Renova's sales in the Regulated Market in 2014 were as follows:

- 1) at the LER ('Reserve Energy') auction:
- 42.7 MW average, representing 150.4 MW in installed wind and solar energy capacity, comprising:
 - 8 MWa of solar energy, corresponding to 106.9 MWp of installed capacity, to be generated by four facilities; and
 - 9 MWa of wind energy, based on 43.5 MW of installed capacity, to be generated by three wind farms.
- all these wind and solar facilities are in the state of Bahia, near the Alto Sertão complex;
- 2) and at the 2014 A-5 'New Energy' ('LEN') auction:
- 49.4 MWa, to be generated by five wind farms with installed capacity of 108.0 MW.

In the free market, Renova sold a total of 308.0 MWa in 2014 – corresponding to 676.2 MW of installed capacity – from a project owned 50%/50% by Renova and Cemig.

The Zeus Project

In 2014, Renova signed a contract for a 50% stake in the 'Zeus' Project, to build 25 wind farms, with installed capacity for 676.2 MW, in Jacobina, in the state of Bahia. On completion of this transaction Cemig will control 50% of the total and voting capital of a listed company to be created by Renova to hold all contracts related to the project.

Madeira Energia

In partnership with pension funds, through the FIP Melbourne Investment Fund (*Fundo de Investimento em Participação Melbourne*), Cemig GT increased its ownership interest in Madeira Energia S.A. (Mesa), a wholly owned subsidiary of Santo

Antônio Energia S.A., which holds the concession to operate the *Santo Antônio* hydroelectric plant on the Madeira River in the state of Rondônia. FIP Melbourne acquired 10.3% of the stake that Andrade Gutierrez Participações S.A. held in Mesa.

Retiro Baixo

Cemig GT signed a contract with Orteng Equipamentos e Sistemas S.A. and Arcadis Logos Energia S.A. to purchase 49.9% of the total share capital of Retiro Baixo Energética S.A. (RBE). RBE, an unlisted company, holds the concession for the Retiro Baixo hydroelectric plant on the lower course of the Paraopeba River in the state of Minas Gerais, with installed capacity of 83.7MW and assured energy level of 38.5 MW average.

Ampliação (Power Expansion) Project:

The Ampliação Project is Cemig's strategic initiative to increase the installed capacity of Small Hydroelectric Plants (SHPs): Salto do Paraopeba, owned by Horizontes Energia S.A.; Poço Fundo, owned by Cemig GT; and Paraúna, owned by the Brazilian federal government and under Cemig GT's administration. The project seeks to increase levels of generation capacity and energy output through increases in installed capacity and better use of the hydro potential.

Aliança

In 2014 Cemig obtained authorization from governmental agencies to establish Aliança Geração de Energia S.A., a joint venture to be subscribed by transfer of ownership interests in the following power generation assets: Porto Estrela, Igarapava, Funil, Capim Branco I and II, Aimorés and Candonga, and others, giving Aliança total installed capacity of 1,158 MW (652 MWa). The two partner companies – Vale and Cemig GT – will respectively own 55% and 45% of the share capital. Aliança will be a platform for consolidation of the generation assets owned by the parties in generation consortiums and future electric power projects. The Company is expected to be operational in January 2015.

Gasmig

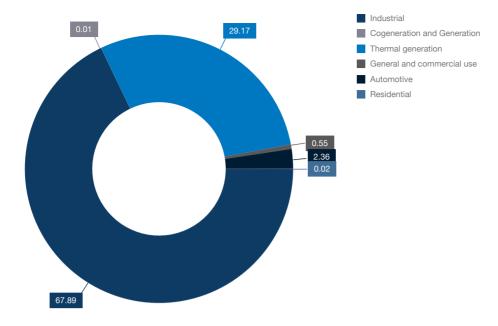
In 2014, Cemig acquired Petrobras's 40% stake in Companhia de Gás de Minas Gerais - Gasmig.

In 2014 Gasmig sold 1.531 billion m³ of natural gas – 3.0% more than in 2013 – of which 0.447 billion m³ was purchased by thermoelectric power plants, and 1.085 billion m³ by other sectors of the economy, for revenue of R\$ 1.675 billion.

This 3.0% increase in sales came mainly from a 4.18% increase in sales to the industrial sector. Consumption of natural gas by thermal plants remained essentially at the same level as in 2013 – with slim growth of 0.78% in 2014.

At the end of 2014, Gasmig's clients were a total of 1,825 consumers, in 34 municipalities of Minas Gerais State: a) 110 large and medium-sized industrial companies; b) 177 small industrial companies and commercial / service establishments; c) 84 Vehicle Natural Gas (VNG) resale points; d) 2 Industrial Compressed Natural Gas (ICNG) distribution companies; e) 2 Vehicle Compressed Natural Gas (VCNG) distribution companies; f) 2 companies in the cogeneration, generation and HVAC segment; g) 1,446 residential units; and h) 2 thermoelectric power plants. Of this total of clients, 94 are new customers with contracts signed in 2014.

Gas sales (%) in 2014 by segment



In 2014, Gasmig invested R\$ 61.4 million to expand distribution networks in the state of Minas Gerais, building 64.8 km of gas pipelines in the Belo Horizonte Metropolitan Area, in the South of Minas, in the Vale do Aço region and in Juiz de Fora, meeting the needs of commercial and industrial segment consumers.

Gasmig's other 2014 highlights included:

- The significant scale of its industrial clients as a percentage of total sales and revenues.
- Entry into the market of co-generation, generation and climate control in the second half of 2014.
- Sales to the automotive segment (vehicle natural gas) 6.8% lower than in 2013, due to market contraction.
- Opening of two new VNG fueling stations: one in the Vale do Aço and the other in the South of Minas, bringing this economical and sustainable fuel option to two significant gateways in the Minas Gerais hinterlands.
- Participation in VNG conversion projects for municipal, as well as Cemig's own, fleets. The "I'm going Gas" campaign which offered bonuses to drivers who adapted their vehicles to VNG use ended on December 31, 2014, having attracted over 4,500 participants, most of whom (61%) were taxi drivers.
- Increase of 11.9% in the segment of general users which mainly comprises small industrial companies and commercial establishments consuming up to 2,000 m³/day. Gasmig has significant growth potential in this segment, particularly within the universe of clients that can be captured through expansion of networks in urban areas and industrial districts. This market segment provides a vital offset for swings in consumption by the industrial market.
- To widen service to non-residential urban clients, Gasmig continued work on the South Ring Project, installing distribution networks and expanding service to more clients in a number of Belo Horizonte neighborhoods. The networks already in operation in Belo Horizonte, Contagem, Nova Lima, Juiz de Fora, Poços de Caldas (South of Minas Gerais State) and Ipatinga (Vale do Aço "steel valley" region) posted a 101.3% increase in consumption from 2013. Implementations in the Belo Horizonte metro area are continuing on schedule and with excellent market acceptance.
- Bringing Natural Gas To The Hinterlands In 2013, Gasmig launched its first initiative to deliver natural gas supply to hinterland areas, the "GNC Governador Valadares—Itabira Project." A 1.7 km network was built to supply natural gas for the project, and Gasmig distributed an average volume of 2,791 m³/day to connected clients in 2014. In August 2014, another project was launched, to supply natural gas, through a structuring project supplied by Liquefied Natural Gas (LNG), to

industrial companies in the city of Pouso Alegre. The first stage of implementation of this local distribution network, in Varginha, is scheduled to start up in 2015.

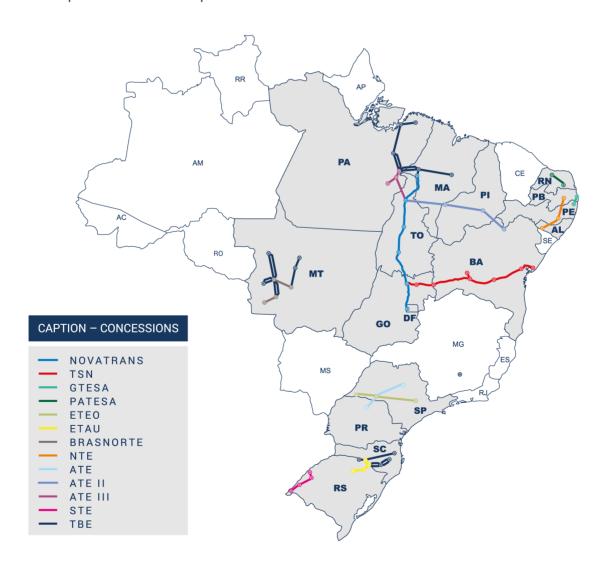
Taesa

Transmissora Aliança de Energia Elétrica S.A. (Taesa) is a private company controlled by Cemig GT – which owns 42.38% of the voting stock and 43.36% of the total stock – and by the investment fund FIP Coliseu, which owns, builds and operates transmission lines throughout Brazil. It has been the driving force for Cemig's growth in the transmission sector.

In 2014, Taesa began operations at São Gotardo II and signed a concession agreement with the city of Mariana. It made complete studies for all the auctions that were held, but did not win any of them. In October 2014, FIP Coliseu renewed its participation in the Stockholders' Agreement, while Santander withdrew.

Taesa is occupying an increasingly significant market position. It reported 2014 net profit of R\$ 689 million, and invested R\$ 2.15 million in environmental initiatives. A highlight was the "Vida boa com energia" (Great Life with Power') project, part of the Social Communication and Environmental Education Program, which meets demands of Aneel, Ibama and other environmental bodies. The following is a map Taesa's transmission lines:

Taesa - Map of trasmission lines per concession



In 2014, a total audience of 19,209 people received the benefits of Taesa's Social Communication and Environmental Education Program. They included property owners, teachers and students – all living in the vicinity of Taesa facilities.

Distribution Development Plan (PDD)

The aim of this program is continuous expansion of availability of electricity, with the quality, safety and quantities required by clients, while also promoting social and economic development in Cemig D's concession area – through the investment in electricity assets that is necessary to increase and improve the Company's distribution services.

The Program comprises work at high, medium and low voltages to expand, strengthen, overhaul and renew Cemig D's assets. This includes: construction and expansion of substations; expansion, strengthening and renovation of high-, medium- and low-voltage distribution lines; and replacement and installation of equipment in medium-voltage substations and distribution lines.

The five-year investment cycle, in conformity with sector regulations, covers the years 2013–2017. Investments totaling R\$ 3.74 billion have been approved, distributed among the following macro-projects:

- High-voltage expansion and reinforcement.
- Service to consumers and accessing parties ("Cemig Participation").
- High-voltage system refurbishment.
- High-voltage operation and maintenance.
- Medium- and low-voltage customer service in urban markets.
- Medium- and low-voltage customer service in rural markets.
- Low- and high-voltage supplementary program ("Cemig Participation").
- Third-party safety ("Cemig Participation").
- Renovation of medium and low voltage networks.
- Medium- and low-voltage operation and maintenance.
- Metering changeover / Boundary Metering.
- Environment.
- Telecommunications.

These investments are to ensure sustainability of the distribution business, optimize value for stockholders through profitability and cash flow, and ensure customer satisfaction through the continuous supply of electricity. The means to this end are: ever-greater efficiency in operational processes; compliance with regulator-established quality requirements; and reduction of losses – in other words, guaranteeing the market's access to safe and quality energy, in a way that also satisfies all environmental requirements. Evidence that this is being achieved can be clearly seen from the improvements in the indicators of Client Satisfaction, Energy Quality and Reduction of losses.

ELECTRICITY INCLUSION INITIATIVES



With the publication of Aneel Normative Resolution 488 of May 15, 2012, and to serve those who registered to receive electricity in rural areas within its concession area, Cemig produced its Rural Area Electric Power Distribution Services Universalization Plan, for implementation over the period 2012–2014. Aneel-established targets for 2014 were partially met, hampered only by population increases in some regions of the concession area and the complexity of the construction timetable.

New targets were established for the Universalization Plan following publication of Aneel Dispatch No. 2,344, of July 17, 2012, which stated that the Company had not provided universal access in the rural areas in which it operates. The new targets were for service to a potential client list, initially, of 56,177 beneficiaries (figure supplied by Aneel). Those interested in joining the Rural Universalization initiative need to visit a Cemig Service Center (presenting required documentation) and request connection.

In 2014, Cemig suggested postponement of the Universalization Plan, proposing new targets and deadlines for 2016.

However, Aneel rejected this request.

At the end of 2014 Cemig D was serving 93.8% of the rural consumers registered in its concession area. This existence of the shortfall is basically due to natural growth of the consumer base, usually the result of subdivision of rural properties – and the increase of the population living in the countryside.

Access to electricity has become an instrument of social integration and economic improvement for the countryside communities served. It improves quality of life; offers comfort; facilitates opportunities to enhance health and safety; increases job opportunities and income; adds value in production, marketing and conservation of rural products; expands access to information; furthers the acquisition of durable goods; and encourages the permanent return of families to the countryside – providing some relief in mitigation of the effect that cities have suffered from an uncontrolled exodus from the countryside.

For Cemig, investment in this market means expansion of its client base, contributing to a strategic aim of improvement in its cash flow.

The two main Cemig programs to increase electricity access are:

Rural Electrification Program

Within the Universalization Plan it presented to Aneel, Cemig D continues to bring service to rural areas, further building on the *Luz para todos* ("Light for Everyone") program – of which it completed all the projects in its concession area in December 2011.

The target of *Cemig's* Rural Electrification Plan is to provide installation, free of charge, of one electricity line per property, for load of up to 50 kW. In 2014 Cemig brought power to approximately 6,000 new consumer units. Approximately R\$ 70 million in investments covered the work required to build new networks and also respond to requests for service in places where the network was already available for installation. Of these calls, approximately 1,000 were requests to increase load, from clients seeking to expand rural activities on their properties.

Urban Market Client Service

Since 2006, when the regulator certified that it deemed Cemig D's concession area to have been universalized, Cemig D has met all service requests it has received. In 2014 it connected no less than 235,000 new consumer units. This number is the total of connections that required building of new network, and requests for connection in places where the network was already available.

CEMIG'S BRAND AND REPUTATION

Cemig has been researching the value of its brand and its reputation since 2007. The goal is to have an increasingly strong brand and a constantly improving reputation.

Brand Value

Since Cemig begun assessing the value of its brand, this valuation has been carried out by the company *Brand Finance*. This valuation increased by 8% from 2013 to 2014 – reflecting (i) perception of increase in the strength of the brand, and (ii) perception by clients and investors of better performance.

This rise to its highest level since measurement began consolidates a recovery after the worst effects of Provisional Measure No. 579 of 2012 (Brazilian Law No. 12,783/2013).

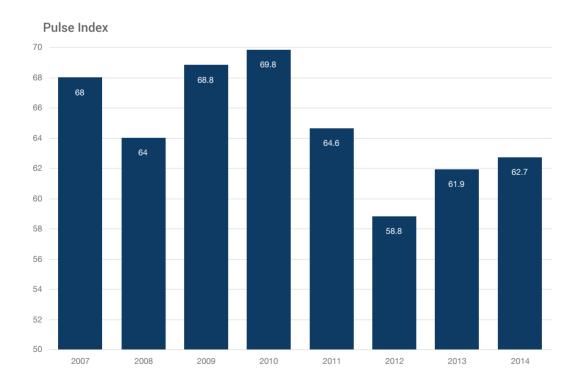
Cemig Brand Value (R\$ million)



Reputation

The *Reputation Institute* (RI), contracted by Cemig, uses *RepTrak™ Deep Dive* methodology to evaluate the degree of the public's esteem, admiration, trust for and empathy with the Company. From this data, RI creates its overall Pulse reputation index.

In 2014, Cemig's Pulse Index was 62.7 – an increase of 0.8 point over 61.9 in 2013.



INNOVATION DMA

The quest for innovation is one of Cemig's strategic objectives. Through technology solution research for its many businesses, it aims to sustain long-term growth. The main arms of these efforts are its Research and Development (R&D) Program, and its Alternative Energy Source projects, which are described below.

Cemig sees technology as a business development factor that adds value to its products and services. One of the strategies adopted to guarantee constant technological improvement and encourage innovation is the creation of partnerships and exchanges with universities, research centers and companies interested in promoting technological excellence in Minas Gerais.

Through its Strategic Technology Management, which forms technological strategies aligned with the entrepreneurial guidelines, Cemig seeks to ensure use of the most appropriate technologies, as well as rapid responses to changing scenarios. This keeps it prepared for the frequent adjustments that must be made within a dynamic and competitive market.

Cemig's Research and Development Program (R&D) generates processes, new methodologies, software, materials, devices and equipment designed to improve electrical systems and operating processes, and also heighten personal safety and property security – benefiting the Company, the sector, and society as a whole.

Cemig invests 1% of its annual net operating revenue in R&D and Energy Efficiency. Over the past 15 years it has invested in over 450 R&D projects, over a wide a variety of subjects. Solutions are developed to problems ranging from engineering and environmental challenges to energy efficiency, operational efficiency and alternative energy sources.

In 2014 alone, there were over 160 projects at various stages of development, for investment of more than R\$ 60 million. Cemig calculates its INOV indicator annually: investment in the year as a percentage of the Company's net operating revenue. In 2014, the INOV index was 0.31%.

To safeguard intellectual and industrial property, Cemig's Trademarks and Patents Office promotes and centralizes activities related to the procurement of registered trademarks, patents and computer programs. The benefits of patenting include the possibility of marketing inventions, and stimulation of creativity. Patenting also promotes the Company's image, and bolsters workplace efficiency through use of increasingly appropriate technologies. With 51 patents filed since 1992, Cemig is the electricity utility in Brazil with the largest number of patents registered with the country's National Industrial Property Institute (INPI). Nine patents were granted to the Company in 2014, and nine new patent applications were filed and are pending.

To date, there have been no financial gains recorded from the sale of rights or royalties for use of patents. However, Cemig has enjoyed a competitive advantage over its rivals through the exclusive use of its patents, especially in relation to workplace safety and operational efficiency, which have generated tangible productivity gains.

Major R&D projects developed in 2014

■ The State of Minas Gerais Energy Balance Sheet

In a task delegated to it by the state's Energy Council (*Coner*), every year Cemig produces an *Energy Balance Sheet* for the State of Minas Gerais – a comprehensive survey of sources, uses and allocations of energy in the state in the year. In December 2014 it was published for the 28th year – giving the figures for 2012 – updating the historical series of data for the period since 1978. It is available for download.

The publication presents important and essential data for studies related to integrated energy planning, energy efficiency, technology management, socioeconomic activities, greenhouse gas emissions and sustainable development. Once again this edition shows the preponderant share of the state's energy coming from renewable sources.

■ Technical and commercial steps to including solar photovoltaic generation in the Brazilian energy matrix

This project aims to identify technical and economic bottlenecks related to getting photovoltaic generation systems connected to the Brazilian grid. The study conceives: implementation of a business model; design and installation of a pilot plant optimized for technical and economic performance; specific research into performance of systems; assessment of

positive and negative effects on the distribution network; and further studies focusing on improving the regulatory framework and tax regime.

Power generation using biogas from bio-digestion of vinasse

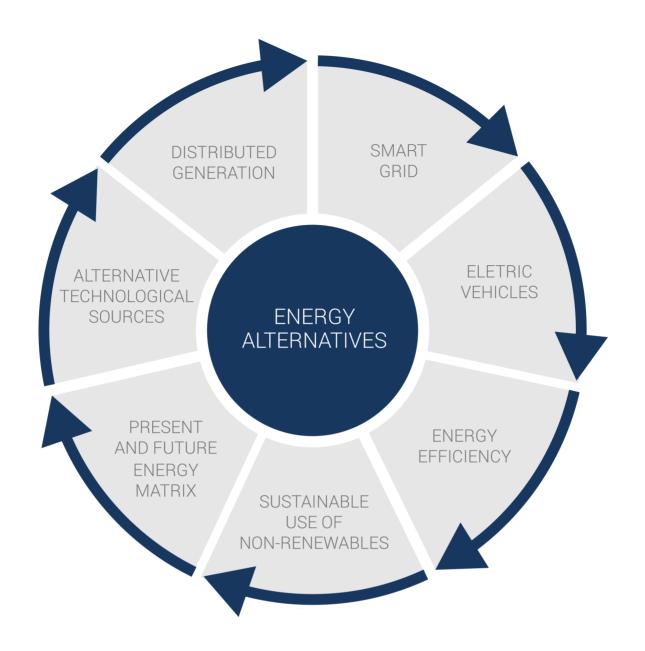
In 2014, R&D Project GT453, a partnership with *Methanum Engenharia Ambiental* and *Efficientia*, was completed. Its main aim was to develop a purification system for biogas originating from vinasse for generation of electricity. The pilot unit was installed at the Monte Alegre plant (of the Adecoagro Group) in Minas Gerais, and supplied with biogas generated from a vinasse methanizing plant which has been in constant operation since the 2010 crop year, producing $15m^3$ biogas/ m^3 of vinasse with an H_2S concentration of approximately 30,000ppmV (unlike other processes where the concentration is not more than 5,000ppmV). A patent application for this invention is being prepared.

Though the planned cost of this project was approximately R\$ 723,000, it was completed under budget for R\$ 682,000 (Cemig contributed R\$ 152,000 in 2014). This indicates a financially viable process, and one that promises to increase capacity for generation of power at the point of delivery (thus also reducing infrastructure costs of a sales network). To this end, implementation of the projects provides increasing incentive for development of such new alternative energy sources, creating new business opportunities for Cemig in the biomass segment, and reducing renewable energy investments that are often more costly.

Learn more about R&D here.

Energy alternatives

From Cemig's perspective, the term 'energy alternatives' embraces the entire energy chain, including: transportation, processing, technological routes, provision and storage, energy efficiency and end-use of energy. As these are integral and mutually dependent elements in the energy matrix, the world of energy alternatives includes new technologies, distributed generation, smart grid design, electric vehicles, energy efficiency and the best use of traditional energy resources. Thus, as is demonstrated in the figure above, one fact about energy alternatives is that they are interconnected.



Cemig monitors state-of-the-art technologies, and has focused its efforts on development of new technological routes and new business options in the energy field. Due to its expertise, Cemig is in constant demand to participate in groups and on committees, such as the Energy Committee of the Federation of Industries of the State of Minas Gerais (Fiemg); the Minas Gerais State Committee on Biodiesel Policy; the Minas Gerais State Energy Plan development group, in association with State Foundation on the Environment (Feam) and the Minas Gerais State Department for the Environment (Semad); as well as the group that is developing a Municipal Climate Change Plan in association with the City of Belo Horizonte. The impacts associated with energy alternatives are essentially positive or have positive intentions, and offer the following possibilities:

Minimize load on primary and natural Reduce use of fossil fuels along with resources directly resulting from reduction of greenhouse gases climate change due to greenhouse gases / qualifications; scientific publication; potential results for industrial production and patents – and potential economic effects.

Impacts are identified through the research process or technological evaluation. Management is based on recommendations, policies and guidelines on energy alternatives, which are issued mainly through technical documents, and also through the positioning of leading professionals on this subject.

The Mineirão Solar Photovoltaic Plant, a massive photovoltaic array on the roof of the iconic Mineirão football stadium of Belo Horizonte, Minas Gerais, started operation in April 2014 - in time for the stadium to host Soccer World Cup games later in the year. It was built for investment of approximately € 3.7 million. With peak generating capacity of 1.42 MW, it is now the largest photovoltaic plant in terms of power generation installed at any stadium in the world - able to provide energy equivalent to the consumption of approximately 1,200 mid-sized homes.

Learn more about the principal alternative energy projects currently being carried out: http://www.cemig.com.br/enus/Company_and_Future/innovation/Energy_Alternatives/Pages/energy_alternatives.aspx

CLIENTS AND CONSUMERS DMA

Consumer Relationship

Cemig's business mission and future vision statements make clear the strategic importance of striving for service excellence and client and consumer satisfaction. Issues related to clients and consumers are important Company priorities, regularly monitored by management and stockholders.

There is in practice a direct link between each employee and client satisfaction - in that the employees' variable compensation is in part dependent on the Company's score in the Aneel Consumer Satisfaction Index (IASC).

Adoption of this position has several positive effects:

Compliance with regulatory indicators of quality, continuity of supply, and customer satisfaction.

- Recognition for Cemig in the form of awards an important example is the No. 1 position in *Época* magazine's *'Complaint Line'* award (researched by the magazine's website of that name, a leading consumer complaints forum) for the second year running.
- Recognition through satisfaction surveys leading examples are the Aneel Residential Consumer Satisfaction Index (IASC), and the Perceived Quality Satisfaction Index (ISQP) published by Brazilian Electricity Distributors' Association (Abradee).
- Increase in the valuation of the brand, and Cemig's high reputation in the markets it serves.

The area of client satisfaction carries with it regulatory risks: a concession holder may be penalized financially by regulators (such as Aneel) or administrative bodies (such as consumer protection and defense agencies, such as *Procons*) in relation to these indices, and may also be punished, in several ways, for misconduct. Preventive measures that have been adopted include compliance with all requirements, standards and regulatory targets – as well as involuntary measures aiming, in keeping with the Company's vision, to achieve consumers' admiration.

The results of management activities in relation to service and client satisfaction are evaluated using performance indicators based on Balanced Scorecard (BSC) tools. These indicators establish goals to stimulate improvement of performance, and measure it by various means:

- performance of service channels e.g. waiting times, call center service levels, response times, time from service request to fulfillment, duration and frequency of complaints, clients' reviews of customer service staff;
- performance of the electricity system e.g. frequency and duration of complaints on operational failures,
 disconnection index, performance on critical days, etc.;
- satisfaction indices; and
- indices related to safety experienced and perceived by the public in interactions with the electrical system.

These indicators provide a permanent motive for continuous improvement of customer service and satisfaction. An example in 2014 was the creation of Cemig's app 'Cemig Atende' ('Cemig at your Service') for iOS and Android platforms.

Other notable initiatives:

Simultaneous reading and printing of electricity bills

The On-Site Billing process uses handheld meter readers with built-in processing capacity to calculate the client's electricity bill on-site, printing it immediately on a portable thermal printer. This saves up to 14% of the cost of printing and delivering electricity bills; and the improved transparency results in greater client satisfaction.

This is an offline process, with no instantaneous connection to the central database. It was rolled out in February 2013, and by January 2015 was serving 3.7 million clients, or 47.4% of Cemig's market. The current target is 7 million clients, by December 2016.

The success of the process is seen in the 2014 ISQP satisfaction survey, in which the item *Electricity bill* was once again a highlight, with a client satisfaction score of 89.8% — showing sustained improvement over three years. Satisfaction with the items *Time between delivery and due date* and *Payment date* improved by 5.3 and 4.0 percentage points, respectively, from 2013.

E-delivery of electricity bills

This new digital option fits well with a corporate guideline of adding technologies to reduce costs without compromising quality. Cemig offered it for the first time via its 'Virtual Branch' website in July 2013: clients can receive not only bills but also power outage warnings, bank debit notices, and a range of other company and related information.

As of December 2014, approximately 44,000 clients had chosen to switch to electronic electricity bills.

Street lighting

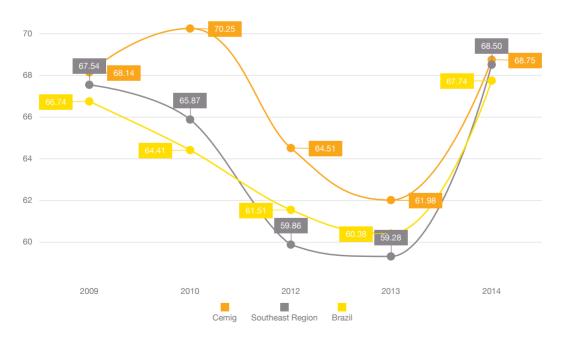
Aneel Normative Resolution 414 of 2010 ordered electricity concession holders to transfer their public lighting assets to local governments by December 31, 2014. This was to comply with Article 30, Section V of Brazil's 1988 Federal Constitution, which gives municipalities the competency of "organizing and providing, directly or by concession or permission, the public services of local interest" – and gives municipalities the exclusive power to charge the population for the funds necessary to finance public lighting, using concession holders' electricity bills for the purpose. Cemig has been executing this process of transfer since 2013 – working with the Minas Gerais State Regional Development and Urban Policy Unit (SEDRU), and representatives of municipalities and intermunicipal associations. In some cases this involves organizing municipal governments into consortia for financial and scale gains in a tender process. Moreover, Cemig has helped municipalities organize maintenance: specifying suitable materials, disseminating technical standards and guidelines, and emphasizing necessary safety considerations. Aneel has recognized Cemig's distinctive work in this field for public authorities in its concession area.

CONSUMER SATISFACTION

The Aneel Consumer Satisfaction Index (IASC) and the Perceived Quality Satisfaction Index (ISQP) are important consumer perception tools that help Cemig improve the services it provides.

In 2014 Cemig's IASC score increased by 6.77 points, from 61.98 in 2013 to 68.75 in 2014 – an increase of 10.92% in absolute terms, and still above the industry average for the nation and for the Southeast region, as this charts shows:

Client Satisfaction - IASC

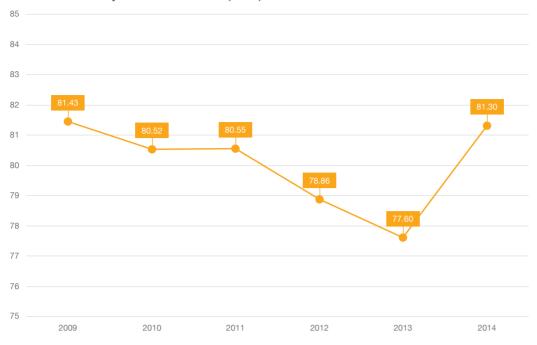


Note: data collection for the IASC was not held in 2011.

The 2014 ISQP returned a client rating of 81.3 for Cemig – an improvement of 3.7% percentage points from 2013 (77.6%) and a contrast to the downward trend of previous years, as shown:



Perceived Quality Satisfaction Index (ISQP)



This reversal of the downward trend in IASC and ISQP results in 2014 reflects the success of Cemig's client outreach strategy, a series of actions brought together and approved by the Company's Client Committee. Highlights include the 'Coffee with Cemig' initiative, which invites clients, mainly housewives, to chat about company activities; launch of new service channels, such as the Cemig Customer Service App for smartphones and tablets; and, especially, Cemig's actions to improve service – such as the Distribution Development Program (PDD) which, among other objectives, aims to reduce the frequency and duration of outages.

The Medium Voltage Client Satisfaction Index (ISMT) ascertains levels of large clients' satisfaction with the distribution company's product quality and services. In 2014, telephone interviews were conducted with 550 clients in the A4 tariff subgroup (Medium Voltage: 2.3 to 25 kV), resulting in a satisfaction index of 82.2%.

The prefectures of municipalities in Cemig's concession area are periodically asked to complete a survey that results in the Municipal Government Satisfaction Index (ISPM) — taken once within the four-year term of office of each administration. In 2014, face-to-face interviews were held with 280 mayors from all the regions of Minas Gerais, representing a sampling of 36% of all municipal administrations in Cemig's service area. The result was a satisfaction rating of 75%. The survey evaluated responses on: electricity supply quality and continuity; information and guidelines provided for municipalities; globalized billing; customer service for municipal governments (behavior, relationship, organization); image; social and environmental responsibility; construction works, and other services; after-sale support on construction and other services; relationship; negotiation of accounts in arrears; and public lighting.

This index has risen by 4.7% from 2009 to 2014.

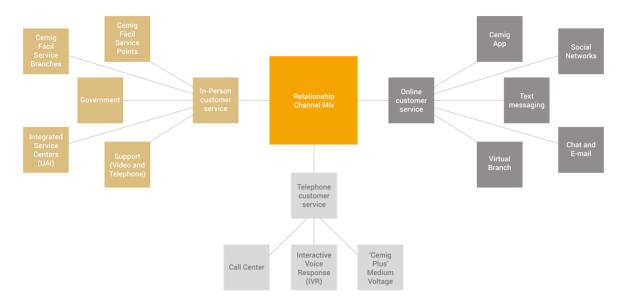
RELATIONSHIP CHANNELS

Cemig makes a number of relationship channels available, invests in innovation and offers energy conservation guidelines as part of its criteria for rendering responsible services.

Cemig's Consumer Council represents collective interests and works to defend them, putting forward suggestions, cooperating in oversight, and forwarding complaints and grievances to Cemig about general electrical energy supply conditions. In 2014 it held five regular meetings with representatives from the Industrial and Residential consumer categories. The main subjects of discussion were tariffs, electricity supply quality, satisfaction index, the situation of the distribution companies, and the matrix of energy sources. Highlights in 2014 were the meetings held in new regions of the

state, educative information supplied to members of the Consumer Council about electricity sector issues, holding of a public hearing to address supply issues, and participation of members of the Consumer Council at electricity industry events.

Cemig has a mix of relationship channels that includes online, in-person and telephone options. All are governed by the concepts of respect and transparency, seeking always to provide clients with increasing convenience, reliability and comfort.

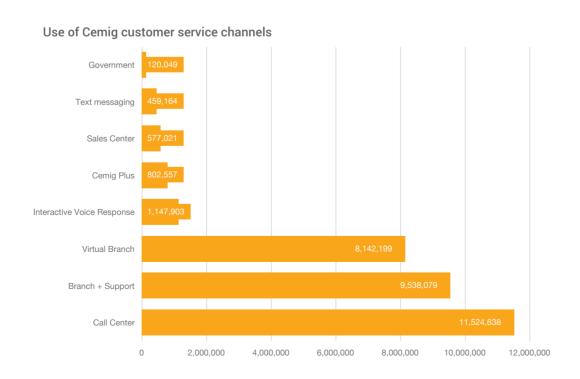


Consumers can receive in-person customer service through the *Cemig Fácil* ('Easy') Customer Care Network, available at 155 service branches and 622 service points in 774 municipalities in the concession area. Telephone services – the '*Fale com Cemig*' or 'Talk to Cemig' facility – are available to all clients 24/7 by dialing 116.

Cemig also offers customer service by text messaging ('Cemig Torpedo') – via the number 29810 – for three types of subject: (1) power outages; (2) request for balance payable; and (3) request for meter reading.

A highlight in 2014 was the visual redesign of the Virtual Branch, to make it more user-friendly and 'navigable'. Clients have 24/7 access to all the services of the Virtual Branch, using only their personal or corporate tax number and a password.

The chart below illustrates the distribution of over 32 million customer service contacts in 2014:



Since 2013 Cemig has offered customer service through social networks, including Facebook (Facebook.com/Cemig.atende) and Twitter (Cemig_atende). These channels aim to provide greater interactivity with and between Cemig clients, in a channel where users can request all the services and information available and receive straightforward and objective answers to questions, and also tips on use of electricity. In 2014 these channels reached approximately 1.3 million people and made 58,900 customer service contacts. Cemig currently has 10,000 Twitter followers. The performance of the *Talk to Cemig* channel in its relationship with clients through social networks was so significant that, in 2014, it was nominated for *Época* magazine's *Reclame Aqui ('Complaint Line'')* award, in the *Public Services – Electricity* category, for the second year running.

Customer service has evolved with technology and, in 2014 Cemig launched the 'Cemig Customer Service' (*Cemig Atende*) app for smartphones and tablets – available for free download via Google Play (Android) and Apple's App Store (iOS). Easy to use, the application provides services, account history, important tips and a consumption simulator, offering clients an energy use estimate for their main domestic appliances. By the end of 2014 Cemig had made 7,794 customer service contacts through this app, or an average of 72 per day. The year also increased the number of clients agreeing to receive their bills by e-mail – which rose to 46,700 clients at the end of the year, saving the Company approximately R\$ 303,000.

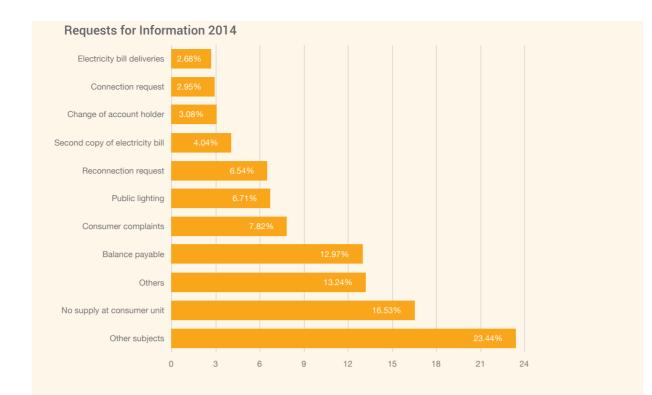
Cemig also seeks to offer the best possible service and interaction to clients with special needs. As well as all Cemig's Inperson Client Service Branches having been upgraded to comply with the accessibility required by Brazilian Standard (ABNT-NBR) 9050. These needs are also met by the *Talk to Cemig* toll-free number (0800-723-8007), the Cemig online channels, the Cemig text message service for the hearing impaired, and the new Cemig Customer Service app for smartphones and tablets. The online channels can also be used by client with special needs through dedicated devices and adapted software. Other services can be requested via the website, such as registration and information, electricity use for vital needs, and receipt of electricity bills in Braille.

All the client channels have information security in place protecting all client information against violation of privacy or data loss. As well as its information security policy, Cemig has comprehensive internal procedures and forms of control for data security, as well as producing bulletins and information campaigns on data security directed to employees. Cemig does not in any way sell or make commercial use of its clients' data.

Cemig's Ombudsman

The office of Cemig's Ombudsman has a track record of quality in handling of demands passed to the Company by Aneel. In 2014 this office was selected by the regulator to implement a pilot project for a nationwide scheme, called 'Pathway to Understanding' (*Caminho do Entendimento*). In this approach, any complaint filed with Aneel – even if it has not come through any of a utility company's service channels – is handled by the company's Ombudsman, who then deals directly with the client. If the case is resolved, the matter is concluded without any need for further involvement by the regulator. Data collected in the pilot project period (August–December 2014) showed a 62.81% reduction in Cemig's exposure to the regulatory body, as client problems were solved within the company context, avoiding involving the regulator in any further demands, such as appeals. Following the experiment at Cemig, as from January 1, 2014 Aneel has implemented the 'Pathway to Understanding' procedure in all of Brazil's electricity distributors

The electricity sector was in the news in 2014 on many fronts – with the media highlighting, for example: the drought, affecting hydroelectric reservoirs; activation of the thermoelectric plants; the resulting increased electricity rates in 'flagged' periods of increased generation cost; rate increases above inflation; the rate for low-income users; the transfer of responsibility for public lighting; and 'universalization' of supply. This constant presence in the media has made citizens more aware of industry issues – and the number of contacts with the Ombudsman increased by 43% from 2013, to 61,132. Of these contacts, 56,000 were requests for information.



A total of 30,830 direct contacts were made with the regulator about Cemig in 2014 – an increase of 10.5% from 2013. Of these, 7,688 became cases and were referred to Cemig's Ombudsman for attention.

It had been planned to expand the *Traveling Ombudsman* project in 2014; but this was prevented by the internal adjustments and adaptations necessary for the *Pathway to Understanding* initiative. Expansion of interaction with other areas of the Company is planned for 2015, mainly for publicizing the Pathway to Understanding project. This will be an important step in strengthening the Ombudsman as a channel for resolution of complaints – and identifying opportunities for internal improvements.

ELECTRICITY SUPPLY OUALITY

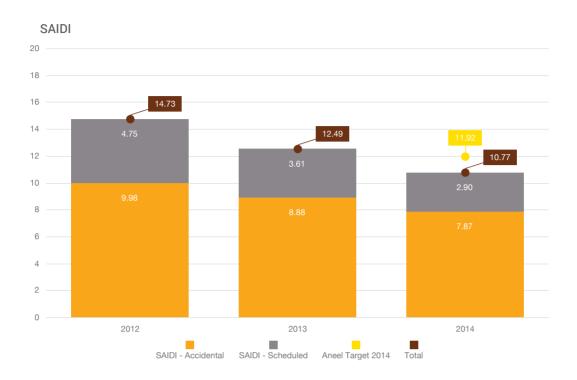
Distributors are subject to assessment of the quality of service and product that they provide to consumers, and a prominent measure used for this is assessment of outages. These measurements focus on: the average outage Duration and Frequency indicators SAIDI and SAIFI; the Individual outage frequency and duration indicators DIC and FIC; and the Maximum consumer outage duration indicator DMIC.

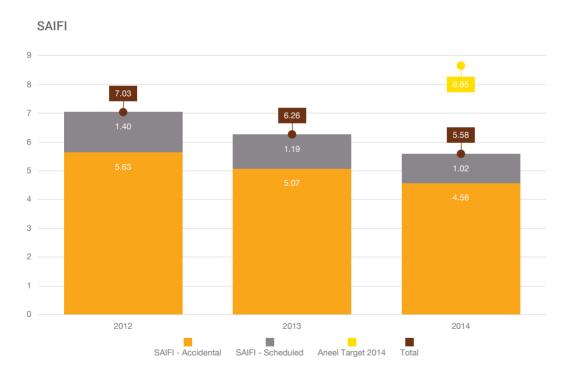
To meet the standards imposed by the regulatory agency and expected by clients, Cemig is continuously further developing operational management and organization of logistics to handle emergencies; and carrying out performance inspections and preventive maintenance on substations, transmission lines and distribution networks. It also invests in training its professionals in state-of-the-art technologies, and standardization of work processes. The goal is to guarantee quality in the power supply and, hence, client and consumer satisfaction.

The SAIDI (duration) and SAIFI (outage) indicators contribute to the effectiveness of these activities. They distinguish between scheduled outages and those caused by accidents. (Continuous improvement of the network calls for occasional programmed outages.)

The charts below show the changes, in the last three years, in Cemig's total indicators of average outage duration (SAIDI, measured in hours) and average outage frequency (SAIFI, a number). Note the reduction of total SAIDI by almost four hours, and the decline in SAIDI and SAIFI due to accidents for the third consecutive year. In 2014 the Company met the goals set by Aneel for both indicators. These results reflect investments made by Cemig in preventive maintenance, such as, for example: clearing vegetation along transmission line pathways; tree pruning; replacement of cross-arms; maintenance of structures;

replacement of poles, transformers and damaged cables; and work such as network shielding, and reworking and interconnection of circuits. Another important move was a network-wide upgrade of standards in technology – through systematic investment in automation of the system, including automatic and remote restart of supply following outages.





If a distributor fails to meet individual continuity indicators (DIC, FIC, DMIC and Outage Duration on Critical Days (DICRI)), it is obliged to compensate the consumer financially. The table below shows a significant reduction in such compensation in the period from 2012 to 2014, of 55.8%, due to investments and restructuring of systems and processes. In other words, the investments made in the Distribution Development Plan (PDD) have led to the standards set by the regulator being met, and improvement in client satisfaction — as well as reducing any compensation payments.

CONSUMER HEALTH AND SAFETY

PR1

Δ

R4

PR7

There are of course no labeling requirements for electricity – but Cemig invests in communications on safe use of electricity, both by campaigns in the media and by providing multiple relationship channels that offer information to consumers. Other information – about social, environmental and economic impacts – is available to the public in, among other sources, the Annual and Sustainability Reports, which are on the website. All Cemig's communications obey the recommendations of the Brazilian Corporate Communications Association (Aberje); its advertising agencies obey the Brazilian Advertising Self-Regulation Code, established by the Brazilian Council for Self-Regulation in Advertising (Conar).

Cemig carries out a variety of accident prevention activities and campaigns addressed to the general public, including: lectures and presentations at construction sites and in schools, calendars with electricity safety tips, public service spots on radio and internet media, and the TV and radio safety campaign featuring the 'Angel Gabriel'. The number of accidents involving the general public was 19% lower in 2014 than 2013:

NUMBER OF ACCIDENTS INVOLVING THE PUBLIC	2012	2013	2014
Non-lethal accidents	82	114	96
Lethal accidents	29	28	19

In December 2014, there were 192 legal actions in progress for accidents to the public, involving fatalities and injuries. In 2014, 25 of these actions were heard: 5 were rejected; 3 were upheld; 4 were upheld in part; and 11 were settled out of court.

TARIFFS

Tariffs are an important subject for Cemig – especially for its Distribution and Transmission businesses. In both cases, all the revenues from the businesses are earned either in the form of tariffs – in Distribution, or as Annual Permitted Revenue (RAP), in Transmission. After Law 12,783 of January 11, 2013, the generation business has gained added importance, due to the early renewal of concessions, and introduction of the concept of Annual Generation Revenues (RAG).

Because it operates in a regulated market, Cemig's tariffs are regulated and enforced by the Brazilian electricity regulator, Aneel (National Electricity Agency). As well as setting rates, Aneel also determines the cost associated with each type of consumer, which is used to calculate the different tariffs for the different voltages consumed.

To identify and manage regulatory risks, Cemig takes action to monitor and analyze the evolution of the regulatory context governing electricity services – and proposes changes to maximize and safeguard the Company's results, in alignment with the interests of clients and consumers. Working jointly with others, the Company plays an effective role at public hearings held by Aneel, proposing changes and criteria for methods of calculating rates for retail and wholesale supply, transmission, and the other ways in which Cemig provides electricity services.

The approach to tariff management uses the indicator *Projected vs. Actual Revenue* – which assesses the effectiveness of the forecasts that Cemig has made based on knowledge of rates and authorized revenues. The Board of Directors evaluates this indicator periodically, and possible points of enhancement and divergence are assessed, within the process of continuous improvement. In this way, preventive and/or corrective measures are adopted so as to ensure that management mechanisms adhere to company goals. All Cemig's regulatory processes are monitored and reviewed regularly by the Committee for Regulatory Affairs (CAR), made up of representatives of all management departments. The committee is responsible for evaluating and offering proposals for contributions at public hearings held by Aneel and the Mining and Energy Ministry.

There is also an automated computer system for Monitoring of Regulatory Obligations ('Condor'), which monitors deadlines and compliance with requests and obligations imposed by industry bodies. The indicator *Level of Fulfillment of Regulatory Obligations* ('Icor') regularly evaluates this monitoring system.

The main risks relating to this subject can be classified as:

- Legal risks: Lawsuits and injunctions challenging the results of processes of Tariff Reviews or Tariff Adjustments. For these risks, the Company provides its legal bodies and advisers with all the information relating to the business and its regulation, to provide a robust foundation for arguments and defense in any proceedings.
- Regulatory risks: The regulator has the power to introduce changes in the regulatory framework that affect the business. These risks are monitored; steps are taken aiming to safeguard the Company's interests; and the Company acts jointly with industry bodies to strengthen positions, and propose contributions to the regulatory framework with full rationale and grounds aiming to mitigate regulatory impact.

The Brazilian Federal Constitution obliges Cemig D to collect taxes directly, on consumer invoices, and pay them on to the competent authorities – these taxes include the PIS, Pasep and Cofins federal taxes, and the state ICMS tax. The state of Minas Gerais has roughly 2.8 million residential clients who are exempt from ICMS tax because they consume less than 90 kWh/month. The consumer's electricity bill also includes a charge for the Public Lighting Contribution (CIP), which is set by municipal governments – Cemig D collects this fee and passes it on to municipalities. Payment of this contribution by consumers assigns the responsibility for services of project design, implementation, expansion, operation and maintenance of public lighting facilities to municipal governments.

In the 774 municipalities in Minas Gerais where Cemig distributes power, more than 660,000 consumers are located in areas classified as rural, and about one million are classified as low-income. These clients pay a subsidized, lower tariff: consumers of up to 30 kWh/month get a discount of approximately 65%; those consuming between 31 kWh and 100 kWh get 40%; and those consuming between 101 kWh to 220 kWh get a discount of 10%.

The Annual Tariff Adjustment

This occurs annually in April, except in years when there is a revision of rates. Its purpose is to pass on non-manageable costs in their entirety and make monetary adjustment for manageable costs, as established in the Tariff Review. The index for adjustment of manageable costs is the IGP-M, but in addition, an X-Factor is deducted which is designed to capture productivity, following the method of a price-cap regulatory model.

On April 7, 2014, Aneel adjusted the rates Cemig can charge for electricity upward by an average of 16.33%, effective from April 8, 2014 through April 7, 2015.

The increase was 14.24% for *residential* consumers; an effective average of 12.41% for consumers in the *industrial* and *services* category consuming medium- and high-voltage supply; and 15.78% for those consuming at low voltage.

Cemig Distribution itself retains only 25.8% of the total amount it charges on the consumer's electricity bill – using it for investments, its expenses, and to cover depreciation. The remaining 74.2% goes into purchase of electricity (39.8%), sector charges (4.9%), transmission charges (3.5%), ICMS tax passed on to the State government (21%), and the Pasep and Cofins taxes (5%) passed on to the federal government.

The key cost increase in 2014 was the expense of purchasing supply, due to the significant degree of use of thermoelectric plants, which began in 2013. The increase in costs for energy purchase from 2013 to 2014 was R\$ 679 million. This component alone accounts for 7.80% of the tariff adjustment.

Cemig D's next annual Tariff Adjustment is in April 2015, and the next multi-year Tariff Review is in April 2018.

Tariff Bands - and Flags

Aneel has instituted a tariff 'flag' mechanism, taking effect in 2015, to send consumers a signal of when electricity generation – and thus the tariff they pay – will be more expensive in their region.

The green 'flag' indicates that conditions are good for generation: the tariff is unchanged. Meanwhile yellow and red flags will indicate 'less favorable' and 'critical' conditions for generation, resulting in surcharges to tariffs.

The Electricity Trading Chamber (CCEE) will run a central clearing account for the extra funds raised by the flag system.

Distributors will pay their Flag Tariff revenues into the central account, and receive back balances each month based on realized cost of thermally-generated electricity and the effects of exposure to the spot market.

CUSTOMERS IN ARREARS

EU27

Aneel regulates the procedure for suspension and reconnection of electricity, through Normative Resolution 414/10.

Supply is suspended for non-payment of the electricity bill, preceded by a warning, with proof of delivery, and 15 days' minimum advance notice. When reconnecting, the distributor must obey these deadlines:

- Normal reconnection in an urban area: 24 hours
- Normal reconnection in a rural area: 48 hours
- Emergency reconnection in an urban area: 4 hours
- Emergency reconnection in a rural area: 8 hours

The period is counted from notification of payment, settlement of the debt in the distributor's system or a request for reconnection made between 8 a.m. and 6 p.m. on business days. Notification after 6 p.m., or on a non-business day, takes effect at 8 a.m. on the next business day.

The table below shows the numbers of consumers disconnected, for different periods between actual disconnection and reconnection (i.e. not from request to reconnection) in 2014.

DURATION OF DISCONNECTION	AMOUNT OF TIME OF DISCONNECTION
< 48 hours	169,606
48 hours – 1 week	39,927
1 week – 1 month	32,283
1 month – 1 year	36,014
> 1 year	7,761

There were 429,366 disconnections in 2014 due to non-payment of electricity bills.

Cemig uses a wide range of tools and media other than disconnection, in its attempts to reduce default: payment requests by e-mail, text message and letter, negative credit reports, re-disconnection when the consumer reconnects without permission, disconnection with meter seal (biodegradable), administrative collection, e-mail negotiation through dedicated staff, special negotiation campaigns, negotiated payment at pre-litigation and pre-hearing stages, and collection through the courts.

RELATIONS WITH CORPORATE CLIENTS

Cemig's corporate clients provide a significant percentage of its total sales volume, and consequently, revenue: approximately 40%, in recent years.

With this strong basis established (it has approximately 22% of Brazilian market share), Cemig is making efforts to increase this share by building a service structure.

Cemig has dedicated staff departments for overseeing risk in contracting energy purchases, and others for customer service by individual the sector of the economy (mining, automotive, steel, agribusiness, etc.). Each client is monitored internally by a Cemig liaison agent, responsible for the relationship.

Management's efforts to analyze business risk, and the oversight of each corporate client and its economic sector, represent a recognition of these clients' importance, since any decline in this portfolio would result in a substantial decline in net profit.

Accordingly, the company has established an *Electricity Trading Policy*, containing guidelines to be obeyed by Cemig's management and applied in its relations with its various clients, in both the Regulated and the Free Markets.

This policy calls for presentations to the Board of Directors in the final quarter of each year on the following subjects:

- Forecasts for the various markets to be served, with forecasts for average prices and tariffs.
- Forecast for energy purchased to serve demand.
- Forecasts for Tariff Adjustments and Reviews, in average numbers, over a horizon of two Review cycles.
- Outlook for average prices in auctions and bilateral contracts.
- Indicative forecasts for the Spot Price ('Price for Settlement of Differences', or PLD).
- Risk mitigation strategies (for the action and/or products adopted), and criteria for determining under- or overcontracting by Cemig Distribution S.A.

Another management tool is a monthly report focusing on contracts signed for over R\$ 16 million, and also contracts canceled with value over that level. This is one way of overseeing client management and the status of gains and losses. The Board of Directors is directly involved in this effort, monitoring possible contract terminations, or the signing of new deals.

Finally, a customer satisfaction survey is conducted every two years for medium- and high-voltage clients (including corporate clients). Criteria such as client relationship quality, price, supply quality, client satisfaction and service communication channels are assessed. Based on the results of this survey, decision makers draw up a plan for action/improvements, in which all activities are monitored.

CHARACTERISTICS OF THE MARKET

The Cemig Group's electricity market

The Cemig Group sells electricity through its distribution company, Cemig Distribution (Cemig D), its generation and transmission company Cemig Generation and Transmission (Cemig GT), and wholly-owned subsidiaries: Horizontes Energia, Termelétrica Ipatinga, Sá Carvalho, Termelétrica de Barreiro, Cemig PCH, Rosal Energia and Cemig Capim Branco Energia.

Cemig's consolidated electricity market comprises sales to (I) Captive consumers in Cemig's concession area in the State of Minas Gerais; (II) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL); (III) other agents of the electricity sector – traders, generators and independent power producers, also in the ACL; (IV) distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and (V) the wholesale trading chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE), eliminating transactions between companies of the Cemig Group.

The total volume of electricity transacted by Cemig in 2014 was 67,416 GWh, or 4.2% more than in 2013.

Sales of electricity to final consumers totaled 49,324 GWh, or 8.7% more than in 2013. Sales in the Regulated and Free Markets, totaling 14,146 GWh, were down 12.3%, while sales in the CCEE were up 23.9%, with a total of 3,946 GWh.

The number of clients billed by Cemig in December 2014 was 8,008,205, or 2.9% more than in December 2013. Of this total, 8,008,153 are end consumers, and 52 are other agents in Brazil's electricity sector.

The market for the Cemig Group is laid out in the following table, with a breakdown of the transactions executed in 2014, as compared to 2013.

This chart shows a breakdown of the Cemig Group's market, in terms of sales volume and number of consumers, in 2014:

Breakdown of supply

ITEM	VOLUME SU	PPLIED (GWh)	CHANCE (2012 TO 2014)	
	2013	2014	CHANGE (2013 TO 2014)	
Sales to final consumers	45,394	49,324	8.7%	
Residential	9,473	10,014	5.7%	
Industrial	23,452	26,026	11.0%	
Commercial and Services	6,035	6,395	6.0%	
Rural	3,028	3,390	12.0%	
Government	861	891	3.5%	
Public lighting	1,267	1,298	2.4%	
Public services	1,242	1,272	2.4%	
Own consumption	35	38	8.6%	
Wholesale market sales ¹	16,127	14,146	-12.3%	
Regulated Market - ACR	11,716	5,347	-54.4%	
Free Market - ACL	4,411	8,799	99.5%	
Sales through the CCEE ²	3,186	3,946	23.9%	
TOTAL	64,707	67,416	4.2%	

¹ For Distributors, sales in the ACR; for Traders and Generators, sales in the ACL

Number of Consumers

² Sum of monthly purchases (-) and sales (+).

ITEM	NO. OF CONSUMER UNITS			
ITEM	DEC. 2013	DEC. 2014		
Final consumers	7,781,454	8,008,153		
Residential	6,249,373	6,445,960		
Industrial	77,184	77,132		
Commercial and Services	709,500	719,955		
Rural	670,529	687,778		
Government	60,463	62,164		
Public lighting	3,861	4,027		
Public services	9,788	10,389		
Own consumption	756	748		
Wholesale market ¹	54	52		
Regulated Market - ACR	36	35		
Free Market - ACL	18	17		
Total	7,781,508	8,008,205		

¹ For Distributors, sales in the ACR; for Traders and Generators, sales in the ACL.

Sales to final consumers

Residential

Residential consumption, which accounts for 14.9% of the energy sold by Cemig, totaled 10,014 GWh in 2014, or 5.7% more than in 2013.

Consumption in this category is associated with:

- a. the addition of 196,587 consumers, expanding this consumer category by 3.1%;
- b. higher temperatures in 2014 than 2013, causing a rise in ownership and use of air conditioners and fans in residences; and
- c. an increase of 2.2% in average monthly consumption per consumer to 131.2 kWh/month, the highest level since 2001.

Industrial

Electricity billed to captive and free consumers in Minas Gerais and other states was 38.6% of the total volume sold by the Cemig Group, at 26,026 GWh in 2014, an increase of 11.0% from 2013.

Within this category the growth figures were:

- a. 13,7% in the volume billed by Cemig GT to free clients in Minas Gerais and other States, as a result of:
- addition of new clients to the Cemig GT portfolio, mainly outside the state of Minas Gerais, and
 - redirecting of available supply to the free market, with the termination of several regulated market contracts in December 2013;

b. volume of electricity billed to free clients by the wholly owned subsidiaries 1.4% higher; and

c. an increase of 0.8% in the volume of electricity billed to captive clients of Cemig D.

Commercial and Services

The electricity used by captive and free clients in Minas Gerais and other states was 9.5% of the total volume of electricity traded by the Cemig Group in 2014, at 6,395 GWh, or 6.0% more than in 2013.

This reflects 5.9% growth in the volume billed to captive consumers of Cemig D, and growth of 7.5% in the volume billed by Cemig GT to free clients located in Minas Gerais and other states.

Factors in the increase are:

- a. connection of 10,446 new captive clients, increasing Cemig D's client base in this category by 1.5%;
- b. addition of 9 new free clients, in Minas Gerais and other states, increasing Cemig GT's number of clients in this category by 13.2%;
- c. weather conditions in 2014 temperatures above historic monthly averages leading to installation of new air conditioning equipment at small businesses and services, and greater use of climate control equipment in general in the various sectors in this category; and
- d. the dynamics of the services sector.

Rural

Electricity used by the *rural* construction category, at 3,390 GWh, was 11.9% more than in 2013, and was 5.0% of the total traded by the Cemig Group in 2014.

The increase in consumption by these consumers is associated with weather, in particular:

- a. rainfall levels in early and late 2014 were below the expected historical average for the rainy season; and
- b. higher temperatures throughout the year spurred growth in consumption for irrigation by 16.5%, and in consumption for other agricultural activities by 9.7%.

Other consumer categories

Supply to other categories – government, public services, Cemig's own consumption, and public lighting – totaled 3,405 GWh in 2014, or 3.3% more than in 2013, and was 5.2% of the total volume of electricity transacted by the Group.

Sales in the Free Market and the Regulated Market

In the Free and Regulated Markets, Cemig sold a total of 14,146 GWh to other agents in the electricity sector in 2014 – this was 12.3% less than in 2014.

Cemig's sales in the Regulated Market were down 54.4% from 2013, due to ending of contracts made under the 2005 Regulated Market (ACR) auction (made for supply in 2006 through 2013).

Meanwhile sales on the Free Market to other electricity sector agents were up 99.5% in 2014, at 8,799 GWh, as Cemig's team took advantage of commercial opportunities, resulting in new contracts for spot market sales.

Sales in the CCEE

Sales in the Electricity Trading Chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE) were 3,946 GWh, or 23.9% more than in 2013, on a higher volume of placement of available energy contracts by Cemig GT.

TOTAL RECEIVED

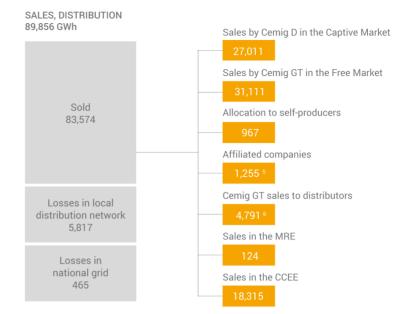
SOURCES AND USES OF SUPPLY - January to December 2014 - Cemig Group (wholly-owned companies)

89,856 GWh

Produced 24,650

Own Generation 23,411
Self-producers 632
Affiliated companies 1,035
Losses in national grid (428)

Purchased	65,206
Itaipu Regulated Contracts¹ Purchased in MRE² Purchased in CCEE Bilateral Contracts CCEN CCGF	6,255 12,650 6,700 18,296 11,930 1,100 7,291
Received in local grid ³ Proinfa ⁴ Co-generation	276 643 65



Figures are for the Cemig Group's wholly-owned companies: Cemig D, Cemig GT, Capim Branco, Cemig PCH, Horizontes, Rosal, Sá Carvalho and TPP Barreiro. Intercompany transactions are excluded.

- ¹ CCEARs' = Electricity Sales Contracts in the Regulated Market.
- ² MRE = Electricity Reallocation Mechanism.
- ³ Local grid = Cemig's own local distribution network.
- ⁴ Proinfa = Alternative Energy Sources Incentive Program.
- ⁵ Bilateral Contracts' of the companies Sá Carvalho, Horizontes, Pai Joaquim, Rosal, and Barreiro and Ipatinga thermal plants.
- ⁶ Sales by Cemig GT in the Regulated Market (ACR).

FFFICIENCY AND ENERGY CONSERVATION

EU7

Cemig's Smart Energy Program

Cemig's Energy Efficiency Program has been creating projects to orient the population on the correct use of electricity since the 1980s, when the National Electricity Conservation Program (Procel) was created. In 2008, Aneel Resolution 300 required distribution concession and permission holders to invest in energy efficiency, and since then R\$ 340 million has been invested in putting new technologies in place, and strengthening of a culture of rational use of electricity through activities to enhance awareness, and the use of more efficient equipment.

Cemig's Energy Efficiency program, called "Smart Energy" (Energia Inteligente – EI), is based on providing incentives to change habits. It leads to a reduction and elimination of waste through good practices while preserving natural resources. EI projects are targeted to low-income clients, non-profit institutions, municipal governments, the private sector and educational institutions. Noteworthy EI initiatives include: donation of solar water heating systems to replace electric showers; replacement of obsolete autoclaves; exchange of incandescent bulbs for compact fluorescents; and the replacement of irrigation systems by micro-aspersion systems in the Jaíba project.

Some highlight El initiatives in 2014 were:

- Replacement of showers with solar water heating systems in low-income housing developments: Two projects are currently under way: Conviver Solar I and Conviver Solar II. Some 2,176 solar water heating systems have been installed in low-income housing developments, and 10,880 light bulbs have been replaced, for a total investment of some R\$ 12.9 million. Energy savings totaled 555 MWh/year, with reduction of 440 kW in peak demand.
- Replacement of showers in public hospitals and philanthropic institutions with solar heating systems: Installations were completed at 14 public and philanthropic institutions, creating savings of 829 MWh/year and reduction of 2,159 kW in peak

demand. Investment in 2014 was R\$ 1.9 million.

- Replacement of showers with solar heating at Elderly Care Homes: This project plans to install 20,800m² of solar collectors at 508 care homes in Minas Gerais. Of these, 41 systems were completed in 2014, saving 700 MWh/year, with demand reduced by 308 kW for investment of R\$ 832,644.61.
- Replacement of autoclaves at hospitals: This program replaces old and inefficient autoclaves with new and efficient models, bringing hospitals up to Anvisa and Health Ministry standards for sterilization facilities. Thirty autoclaves were replaced, at 18 hospitals, in 2014, with expected energy savings of 804 kW, and reduction of 3,190 MWh/year in demand, for investment was B\$ 1.45 million.
- Hospital Lighting Project: This project involves replacement of obsolete lighting systems at public hospitals by high performance systems using mirror lamps, bulbs and electronic ballasts with the *Procel* seal of approval. This project served nine hospitals in 2014, with installation of some 6,638 lighting fixtures and efficient tubular fluorescent bulbs, reducing peak demand by 201 kW and saving some 874 MWh for investment of R\$ 1.9 million.
- Rural energy efficiency projects through the 'Energy Farm' (Fazenda Energética), in Uberaba, Minas Gerais: This is a project to modernize irrigation systems using drip and micro-aspersion methods to save energy, and water. Replacement of obsolete irrigation methods with more efficient systems can achieve savings currently assessed at approximately 57% in electricity and 44.5% in water. Installation of 110 irrigation systems was completed in the *Jaíba* Irrigation District in 2014, achieving savings of 939 MWh/year, and reducing peak demand by 290 kW, for investment of some R\$ 1.15 million.
- The 'Living Together' Project (Projeto Conviver): This project was begun in 2006, with activities throughout Cemig D's entire concession area. It orients low-income clients on measures to take for energy efficiency. A total of R\$ 15,455,410.99 was invested in 2014, providing help to more than 55,000 families resulting in savings of 17,177 MWh/year, and reduction in demand of 6,342 kW. In 2014, 4,282 old refrigerators were replaced by new refrigerators carrying the Procel seal of approval; and 232,445 incandescent bulbs were exchanged for compact fluorescents. The old refrigerators and bulbs collected by Cemig were recycled. This project fosters significant gains through reductions in payment arrears, and energy losses, in the communities served. A total of 1,698 illegal connections to electricity supply were regularized, and 1,186 debt settlements achieved, for a total of R\$ 572,460.41. In addition, 201 training sessions on energy efficiency and the proper and safe use of energy were held, benefiting about 9,500 people.

In addition to helping reduce energy losses by replacing obsolete equipment, the energy efficiency program offers another benefit to communities: establishment of fuller access to normal usage of citizenship, in that installation of an electricity meter gives the user an electricity bill, and thus a 'proof of address', so useful in banking and bureaucratic transactions.

For further information on the EI (Cemig's Smart Energy plan) see:

http://www.cemig.com.br/en-us/Company_and_Future/Sustainability/Programs/Energy_Efficiency/Pages/default.aspx

In 2014, with investment of over R\$ 50 million, Cemig complied with the regulatory requirement for allocation of investment totaling 0.5% of Net operational revenues, plus certain amounts not recognized – with investment of R\$ 27 million for low-income consumers, more than the obligatory R\$ 22.1 million.

The table below summarizes the main projects executed in 2014:

ACTION	TARGET PUBLIC	QUANTITY	INVESTMENT (R'000)	ENERGY SAVINGS (MWh/YEAR)	REDUCTION IN PEAK DEMAND (KW)	EMISIONS AVOIDED (tCO ₂ e)
Showers replaced by solar heating	Low-income housing projects	2,176 solar heating systems	12,970	555	444	49.4
Showers replaced by solar heating	Public hospitals and philanthropic organizations	14 entities	1,900	829	2,159	73.8
Showers replaced	Care homes for the elderly	41 systems	832	700	308	62.3
Autoclaves replaced	Public hospitals	30 autoclavs in 18 hospitals	1,400	3,190	804	283.9
Obsolete lighting in public hospitals replaced by high yield systems	Public hospitals	Approx. 6,638 installations replaced with efficient tubular fluorescent in 9 public hospitals	1,900	874	201	77.8
Farming energy efficiency projects	Small irrigation systems – Jaíba, Minas Gerais	110 irrigation systems	1,100	939	290	83.6
Living Together Project – orientations on energy efficiency	Low-income clients	57,000 families served 4,282 refrigerators replaced; 232,445 compact fluorescent lamps.	15,400	17,177	6,342	1,528.7
TOTAL	-	-	35,502	24,264	10,548	2,159.5

Efficientia

Since 2002, Cemig's wholly-owned subsidiary *Efficientia* has been mainly implementing energy efficiency projects, usually through performance-based contracts.

Some of the projects on which Efficientia began execution in 2013 are now in the final phase of implementation, scheduled for startup in 2015. Other projects, negotiated with clients in 2014, are at start of works stage, for completion in 2015 or 2016. The figures given below for these contracts are based on expected energy savings calculated from the preliminary diagnostics.

Actual energy savings are assessed in accordance with the *International Performance Measurement and Verification*Protocol (IPMVP®) for energy savings. In 2014, Efficientia signed contracts with clients in the industrial and services sectors for projects to modernize lighting systems and generation of photovoltaic energy, as shown below:

- Natura: Modernization of the industrial illumination system, using LED technology (expected savings 309 MWh/year). Investment: R\$ 434,354.00.
- Algar Tech: Development and implementation of a Solar Photovoltaic Plant (expected generation 466 MWh/year). Investment: R\$ 1,204,724.54.
- Tecidos Miramontes: Development and implementation of a Solar Photovoltaic Plant (expected generation 90.50 MWh/year). Investment: R\$ 451,112.60.

The energy efficiency projects put in place by Efficientia, as well as saving energy, reduce power offtake at peak times for the

electricity system, and are thus also demand-side management projects.

Additionally, the photovoltaic generation projects are investments in distributed generation. The investment planned for these projects in 2015 is R\$ 1,655,837.14.

In recent years Efficientia has completed several projects for clients in the sugar-alcohol industry that were installing or expanding plants in Minas Gerais. In 2014 works were completed on the connection of the Santa Vitória Thermoelectric Plant to the grid, under the supervision of Efficientia. This is a co-generation sugarcane bagasse plant able to generate up to 20 MW.

To strengthen opportunities for new business, Efficientia launched a new website in 2014. A lighter layout and changes in the information architecture, reflecting internal changes in the company, help to further de-mystify the subject of energy efficiency – while enabling entirely new business models to be presented. You are invited to click here for more details.

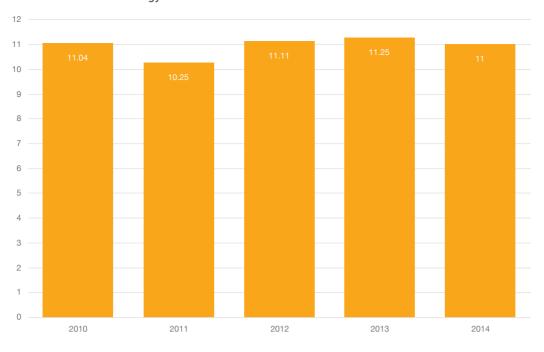
MANAGEMENT OF LOSSES



Controlling electricity losses is one of Cemig's strategic goals, since they represent revenue foregone and, indirectly, impact the environment: increases in emissions of greenhouse gases, for instance. We account Total Distribution Losses (IPTD) as the sum of technical losses (PPTD) and non-technical losses (PPNT). *Technical* losses in the distribution system are inherent to the transport of energy through transmission and distribution lines and equipment. They are influenced by, among other factors, dispatch conditions at generating stations, works in progress on strengthening the network, behavior of the consumer market, and adoption of specific loss-reduction measures. *Non-technical* losses involve deficiencies or irregularities in measurement and/or billing of consumer units, and also illegal connections to the distributor's network.

Total distribution losses in 2014 were assessed as 11%. This compares to a maximum regulatory target of 10.85% by the end of 2017. In setting regulatory targets for the 3rd Tariff Review Cycle, Aneel made significant changes in its method for calculating technical losses, creating challenges for Cemig. The 2014 target was not met, but by only a small margin. Improvement of these results depends on both manageable and non-manageable factors, and Cemig will continue to make efforts to improve the manageable factors, to meet the target. Approaches to the manageable factors include: study for proposals to reconfigure the high-voltage line system, focusing on reducing technical losses; participation in an overall, integrated planning of the electrical system; analysis of the reduction in technical losses provided by structural works; executing the medium voltage reactive compensation plan, installing 225 automatic capacitor banks; checking the regularity of consumers' metering equipment through onsite inspections; and replacement of obsolete or non-standard meters. Non-manageable factors include: north-south flows; reservoir levels; load seasonality; and clandestine connections to the grid in non-regularized areas.

Distribution: total energy losses



Technical losses in 2014 were assessed at 8.81%, and non-technical losses at 2.19%.

Aneel measures non-technical losses with reference to the low-voltage market. Taking this into account, non-technical losses for the low-voltage market invoiced by Cemig in 2014 were 5.81%.

Two highlights of action taken in 2014 to minimize technical losses:

- Investment in construction projects to strengthen the medium and low voltage electricity system, for a total of R\$ 44.7 million; and investment of R\$ 226.3 million to expand and strengthen the sub-transmission system (69 to 230 kV).
- The medium-voltage reactive compensation project: Preparation of a reactive compensation plan, for installation of 225 banks of automatic capacitors by 2016, (projected investment of R\$ 9.0 million), with planned reduction of R\$ 4.2 million in associated technical losses (corresponding to 23.6 GWh) per year.

Other action in the year has included: Prospecting of new network and conductor technologies; studies for circuit reconfiguration to increase the operating efficiency of the electricity system; and establishment of criteria for limiting levels of technical losses in medium and low voltage circuits.

The actions avoided generation of 3,197.4 tons of CO₂.

To reduce non-technical losses, R\$ 10.23 million was invested in 2014 (through November) in inspection programs of 55,917 consumer units with suspected irregularities. Taking into account the potential for collection of payment for past supply and added future revenue resulting from regularization, Cemig estimates the gain from this campaign at R\$ 65.2 million (corresponding to 153 GWh).

These actions avoided emissions totaling 20,729 tCO₂.

Other important aspects of the efforts in 2014 to reduce non-technical losses:

- The system of selection of target consumers was improved, including: development and use of statistical models to assist selectors; digital registry of process documents (e.g. Incident Reports, Inspection Reports, photos); and storage through appropriate document management ('Gedoc') software:
- these methods achieved a 27% success rate for inspections seeking inappropriate installations; the result was an energy gain of 1.39 MWh per inspection this figure being 9.44% higher than in 2013.
- Systems for calculating irregularities, and inspection report management, were improved and automated resulting in

- a 28% increase in productivity.
- Bills were sent for a total of 28,274 items of irregular consumption, with 98.70% compliance.
- R\$ 3.19 million was invested to replace 35,200 obsolete or non-standard meters, representing an increase in revenue of R\$ 1.61 million (corresponding to 4.06 GWh);
- A total of 1,468 illegal connections were legalized, representing a reduction of R\$ 1.41 million (corresponding to 3.6 GWh) in losses.
- Cemig's Task Force to Prevent and Combat Commercial Losses worked with Civil and Military police departments, the Public Prosecutor's Office, government and the press, focusing on characterization of fraud, legalization of clandestine connections, and a communication program to raise the awareness of society about the damage caused by illegal connections.

FINANCIAL RESULTS

NET PROFIT FOR THE PERIOD

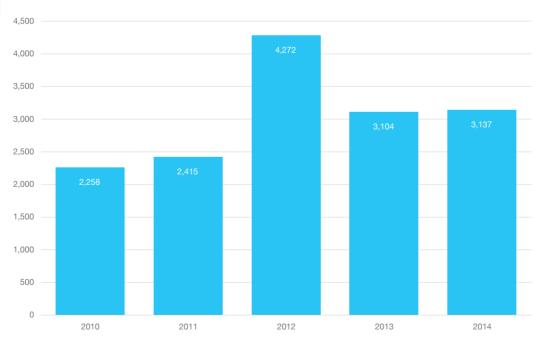
DMA

G4-17

Cemig reports net profit of R\$ 3.137 billion for 2014, compared to net profit of R\$ 3.104 billion in 2013 – or an increase of 1.06%.

The main changes in net profit are described as follows:

Net profit (R\$ million)



OPERATIONAL REVENUE

Operational revenue breaks down as follows:

OPERATIONAL REVENUES						
R\$ thousand	2013	2014	Change %			
Revenue from supply of electricity	14,741,288	17,232,105	16.9%			
Revenue from use of the electricity distribution systems (TUSD)	1,007,802	854,945	-15.2%			
CVA and Other financial components in tariff increases	-	1,106,675	-			
Transmission revenue						
Transmission concession revenue	404,040	556,633	37.8%			
Transmission construction revenue	91,176	80,358	-11.9%			
Transmission indemnity revenue	20,673	420,013	1931.7%			
Distribution construction revenue	883,801	861,437	-2.5%			
Transactions in electricity on the CCEE	1,193,262	2,348,483	96.8%			
Other operational revenues	1,047,583	1,704,609	62.7%			
Taxes and charges applied to Revenue	-4,762,345	-5,625,680	18.1%			
NET OPERATIONAL REVENUE	14,627,280	19,539,578	33.6%			

Revenue from supply of electricity

Revenue from total sales of electricity in 2014 was R\$ 17.232 billion – or 16.90% more than in 2013, when this revenue was R\$ 14.741 billion.

Learn more about supply to Cemiq's various client segments in the chapter on Clients and Consumers.

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, was R\$ 14.922 billion in 2014 – or 18.46% more than in 2013 (R\$ 12.597 billion).

The higher revenue in 2014 was the result of several factors:

- The annual tariff adjustment for Cemig D effective from April 8, 2013 (full effect in 2014), with average effect on consumer tariffs of 2.99%.
- The annual tariff adjustment for Cemig D effective from April 8, 2014, with average effect on tariffs for captive consumers of 14.76%.
- The quantity of electricity supplied to final consumers in 2014 which was 8.66% higher in 2014.

Revenue from supply to other concession holders

Revenue from electricity sold to other concession holders in 2014 was R\$ 2.310 billion, 7.74% more than in 2013 (R\$ 2.144 billion).

Although the volume of electricity sold to other concession holders was 12.28% lower in the year, at 14,146,109 MWh, than in 2013 (16,127,376 MWh), the increase in revenue resulted from the average sale price being 20.68% higher, at R\$ 159.16 per MWh in 2014, compared to R\$ 132.94/MWh in 2013.

The increase in average price was mainly due to the reduction of supply of electricity in 2014, which in turn was the result of the lower level of reservoirs.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging of the Tariff for Use of the Distribution System (*Tarifa de Uso do Sistema de Distribuição*, or TUSD), to Free Consumers, for transport of electricity sold. In 2014 this revenue was R\$ 855 million, 15.18% less than in 2013 (R\$ 1.008 billion). The difference is mainly in Cemig Distribution, with: (a) lower industrial activity in the sector – reflected in 10.3% lower volume of energy transported; and (b) the tariff impact for Free Consumers as from April 8, 2013, with reduction of the TUSD by 33.22%, which began to be offset by the increase of 8.79% as from April 8, 2014.

The CVA Account and Other financial components in tariff increases

Due to the alteration in the concession contracts of the electricity distributors, the Company began to recognize the balances of non-manageable costs to be passed through to the next tariff adjustment of Cemig D, representing a revenue of R\$ 1.107 billion in 2014. This is explained in detail in Explanatory Note 13 to the financial statements.

Revenue from transactions in the Electricity Trading Chamber (CCEE)

Revenue from transactions in electricity on the CCEE was R\$ 2.348 billion in 2014, compared to R\$ 1.193 billion in 2013 – an increase of 96.81%. This basically reflects the increase of 161.88% in the average price in the wholesale market, resulting from the low level of reservoirs of the hydroelectric plants in 2014 (R\$ 688.89/MWh in 2014, compared to R\$ 263.06/MWh in 2013).

Other operational revenues

Cemig's other operational revenues are as follows:

OTHER OPERATIONAL REVENUES						
R\$ thousand	2013	2014	Change %			
Supply of gas		422,379				
Charged services	9,793	11,136	13.7%			
Telecoms services	126,638	134,672	6.3%			
Services rendered	122,570	117,767	-3.9%			
Subsidy payments received	672,562	790,011	17.5%			
Rental and leasing	57,395	80,707	40.6%			
Others	58,625	147,937	152.3%			
TOTAL	1,047,583	1,704,609	62.7%			

The higher figure in 2014 was mainly due to inclusion of the revenue from supply of gas, R\$ 422 million, because of the change in the accounting system due to consolidation of Gasmig, as from October 2014.

Taxes and charges applied to Revenue

Taxes and charges applied to revenue in 2014 were R\$ 5.626 billion, or 18.12% higher than in 2013 (R\$ 4.762 billion). This mainly reflects the increases in Revenue, to which they are applied.

OPERATIONAL COSTS AND EXPENSES (EXCLUDING FINANCIAL REVENUE/EXPENSES)

Operational costs and expenses, excluding Financial Revenue (expenses) in 2014 were R\$ 14.451 billion, 28.6% more than in 2013 (R\$ 11.232 billion). There is a breakdown of Operational costs and expenses in Explanatory note 25 to the financial statements.

The following paragraphs comment on the main variations:

Electricity purchased for resale

The expense on electricity purchased for resale in 2014 was R\$ 7.428 billion, which compares to R\$ 5.207 billion in 2013 – an increase of 42.65%. The main factors are:

- The expense on purchase of electricity in the free market in 2014 was R\$ 477 million higher, due to higher trading activity, and also due to the higher price of electricity in 2014 due to low reservoir levels at the hydroelectric plants.
- Cemig D (Distribution) had involuntary exposure to the spot market in 2014, as well as being exposed to the higher price of electricity, due to the low levels of the hydroelectric plants' reservoirs. This resulted in the company having an expense in this market of R\$ 1.263 billion in 2014, compared to R\$ 304 million in 2013.
- The expense on electricity from Itaipu Binacional was 18.31% lower in 2014, at R\$ 830 million in 2014, than in 2013 (R\$ 1.016 billion), reflecting a volume of electricity purchased 28.74% lower, at 6,254,980 MWh in 2014, compared to 8,777,227 MWh in 2013. This electricity is priced in dollars, and the effect of this reduction in quantity was partially offset by the appreciation of the dollar against the Real in 2014. The average exchange rate for the dollar in invoices in 2014 was R\$ 2.35, compared to R\$ 2.16 in 2013 an increase of 8.80%.

Charges for use of the transmission network

Charges for use of the transmission network totaled R\$ 744 million in 2014, compared to R\$ 575 million in 2013, an increase of 29.39%.

This expense is payable by electricity distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by an Aneel Resolution.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment.

Operational provisions

Operational provisions in 2014 totaled R\$ 581 million, compared to R\$ 305 million in 2013, an increase of 90.49%. This arises mainly from the following items:

- A provision of R\$ 195 million made in 2014, comprising: R\$ 166 million on the valuation of the put option for shares in Parati, and R\$ 29 million from the same effect in the put options, between Cemig GT and private pension plan entities, for shares in SAAG (investment in Madeira Energia). For more details please see Explanatory Note 14.
- Provisions for employment-law legal actions R\$ 71 million higher in 2014 (at R\$ 242 million, compared to R\$ 171 million in 2013). This mainly reflects a provision of R\$ 127 million in 2014 resulting from the salary increase of 3% in real terms for the employees which was the outcome of labor court arbitration, sought by representatives of the employees, on an annual collective employment agreement. More details are in Explanatory note 22.

Personnel

The expense on personnel was R\$ 1.252 billion in 2014, 2.49% less than in 2013 (R\$ 1.284 billion). This mainly reflects an extraordinary expense of R\$ 78 million in 2013 on the PID Voluntary Retirement Program.

Raw materials and inputs for production of electricity

Expenses on raw materials and inputs for production of electricity in 2014 totaled R\$ 282 million, compared with R\$ 56 million in 2013 – an increase of 403.57%. This mainly reflects the need for acquisition of a higher quantity of fuel oil in 2014, for the Igarapé thermoelectric plant, which was dispatched more in this year due to the low level of water in the hydroelectric reservoirs.

Construction cost

Infrastructure Construction costs in 2014 were R\$ 942 million, 3.38% less than in 2013 (R\$ 975 million). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line *Construction revenue*, in the same amount.

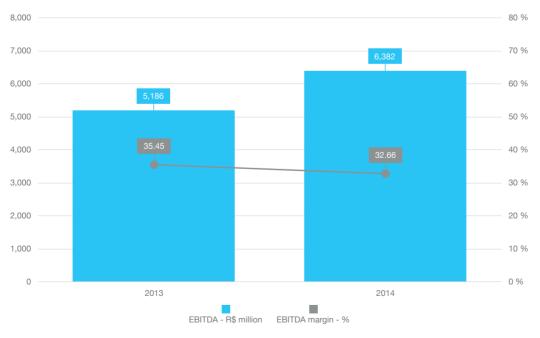
EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION)

Cemig's Ebitda was 23.06% higher in 2014 than 2013.

EBITDA - R\$ '000	2013	2014	CHANGE %
Net profit for the period	3,104	3,137	1.1%
+ Provision for income tax and Social Contribution tax	950	1,343	41.4%
+ Financial revenue (expenses)	308	1,101	257.5%
+ Depreciation and amortization	824	801	-2.8%
EBITDA	5,186	6,382	23.1%

Ebitda margin in 2014 was 32.66%, which compares to 35.45% in 2013 – lower, among other factors, due to lower total equity gain in subsidiaries.

EBITDA (R\$ million)



INCOME TAX AND SOCIAL CONTRIBUTION TAX

In 2014, the expense on income tax and the Social Contribution tax totaled R\$ 1.343 billion, on pre-tax profit of R\$ 4.479 billion, an effective rate of 29.96%. In 2013, the expense on income tax and the Social Contribution tax totaled R\$ 950 million, on pre-tax profit of R\$ 4.054 billion, an effective rate of 23.43%.

In 2013, the expense on income tax and the Social Contribution tax totaled R\$ 950 million, on pre-tax profit of R\$ 4.054 billion, an effective rate of 23.43%. There is a reconciliation of these effective rates with the nominal tax rates in Explanatory Note 10 to the financial statements.

NET FINANCIAL REVENUE (EXPENSES)

Cemig reports financial expenses in 2014 of R\$ 1.101 billion, which compares with a net financial expense of R\$ 308 million in 2013.

In 2013 Cemig received final judgment in its favor, against which there is no further appeal, in its action challenging the legality of Paragraph 1° of Article 3 of Law 9718, of November 27, 1998, which had sought to expand the taxable calculation base for the Pasep and Cofins contributions on Financial revenue and Other non-operational revenues, in relation to the period 1999 through January 2004. In a consequent decision authorization was given to transfer the credit to its subsidiaries, as to 51.93% for Cemig D, and 48.07% for Cemig GT, and for these credits to be used to offset other federal taxes. Of the total gain of R\$ 313,100, R\$ 127,429 was recognized as reversal of Pasep and Cofins, and R\$ 185,671 as revenue from monetary updating.

The breakdown of Financial Revenues and Expenses is in Explanatory Note 26 to the consolidated financial statements.

LIOUIDITY AND CAPITAL RESOURCES

Cemig's business is capital intensive. Historically, the company has a need for capital to finance the construction of new generation facilities and expansion and modernization of the existing generation, transmission and distribution facilities.

Company's liquidity requirements are also affected by its dividend policy. Cemig finances its liquidity and capital needs principally with cash generated by operations and, on a lesser scale, with funds from financing.

Cemig believes that present cash reserves, generated by operations, will, together with expected funds from financings, be sufficient to meet its liquidity needs over the next 12 months.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2014 totaled R\$ 887 million, compared to R\$ 2.202 billion on December 31, 2013. On December 31, 2014 none of our cash nor cash equivalents was in any other currencies than the Brazilian Real.

CASH FLOW FROM OPERATIONS

The totals of Net cash generated by operational activities in 2014 and 2013 were, respectively, R\$ 3.734 million and R\$ 3.515 billion. The higher net cash from operational activities in 2014 mainly reflects the higher net profit in 2014, after adjustment for items not affecting cash flow.

CASH USED IN INVESTMENT ACTIVITIES

The Company used net cash of R\$ 4.299 billion in investment activities in 2014, compared to net cash inflow of R\$ 2.503 billion from investment activities in 2013. This mainly represents the acquisitions of equity interests in 2014, in which the highlights were *Renova*, *Madeira Energia* and *Gasmig*. For more details please see Explanatory Note 14.

CASH FLOW IN FINANCING ACTIVITIES

Net cash flow consumed by financing activities in 2014 totaled R\$ 750 million, comprising amortizations of financings totaling R\$ 1.394 billion, and payments totaling R\$ 3.917 billion in dividends and Interest on Equity, partially offset by receipt of funds totaling R\$ 4.562 billion from financings.

Net cash flow consumed by financing activities in 2013 totaled R\$ 5.735 billion, comprising amortizations of financings totaling R\$ 3.601 billion, and payments of R\$ 4.600 billion in dividends and Interest on Equity, partially offset by receipt of funds from financings totaling R\$ 2.467 billion.

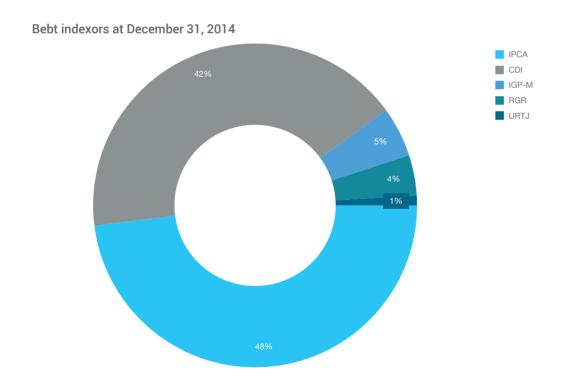
FUNDING AND DEBT MANAGEMENT POLICY

Cemig seeks to maintain its credit quality at satisfactory levels that denote low credit risk, to be able to benefit from financial costs that are compatible with the profitability of the business, and to show that the process of expansion of Cemig's activities has been carried out in a sustainable way.

In 2014 total funding of R\$ 4,562 million was raised, mainly for the significant program of investments, led by *Renova* and *Santo Antônio*, and in the distribution business.

The details of funding raised are given in Explanatory Note 19 to the financial statements.

All issues by Cemig GT have the endorsement of its parent company, Cemig.

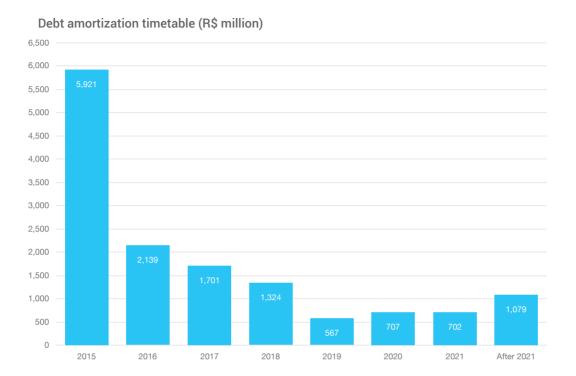


The composition of Cemig D's debt is a reflection of the sources of funding available to its subsidiaries – bank credit, used for rolling over of debt; and issues of debentures and promissory notes, in which a significant portion has been indexed to the local interest rate – and also its intention to avoid exposure to debt in foreign currency (currently 0.29%). The average cost of Cemig's debt is 7.05% p.a. in real terms.

The Company's debt management centers on: lengthening of tenors; limitation of indebtedness to the levels specified by the by-laws (Net debt/Ebitda ≤ 2 and Net debt/(Stockholders' equity + Net debt) $\leq 40\%$); reduction of the cost of financing; and preservation of the Company's payment capacity, while avoiding pressures on cash flows such as might suggest refinancing risk.

The Company's debt at December 31, 2014 was R\$ 13,509 million, with average tenor of 4.1 years. The concentration of maturities in 2015 results from short-term transactions made in 2014, and the Company expects it to be refinanced on satisfactory terms.

This chart shows the present amortization timetable:

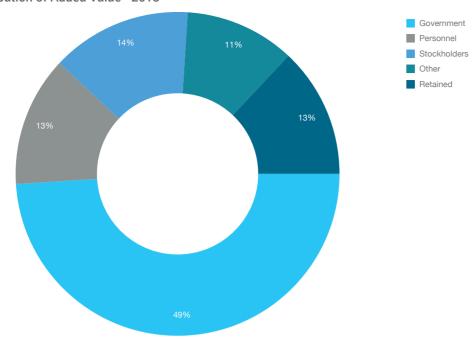


In 2014 the risk rating agency *Moody's* lowered its debt ratings for Cemig GT and Cemig D, from Baa3 to Ba1 and from Aa1.br to Aa2.br. *Standard & Poor's* and *Fitch* made no change to their risk ratings for Cemig GT and Cemig D in the year.

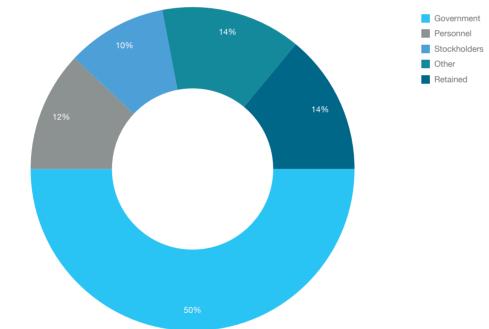
DISTRIBUTION OF ADDED VALUE

The Distribution of Added Value (*Distribuição do Valor Adicionado*, or DVA) is an indicator of the Company's importance for society in general, and a measure of the Company's generation of wealth: the added value created in 2014 was measured as R\$ 13,209 million, compared to R\$ 1,568 million in 2013.

Distribution of Added Value - 2013



Distribution of Added Value - 2014



CAPITAL MARKETS AND DIVIDENDS

Cemig's shares were initially listed on the stock exchange of Minas Gerais State on October 14, 1960, and have been traded on the São Paulo stock exchange (Bovespa) since 1972 – under the tickers CMIG3 for the ON – common – shares, and CMIG4 for the preferred shares (PN). Since October 2001 Cemig's stock has been listed at Corporate Governance Level 1 on the São Paulo stock exchange (Bovespa). Since 1993, ADRs for Cemig shares have traded on the New York stock exchange (tickers CIG and CIG.C) – and at Level 2, since 2001; and Cemig shares have traded on the Madrid stock exchange (as XCMIG) since 2002.

Share prices

The closing prices of Cemig's shares in São Paulo (Bovespa), New York (NYSE) and Madrid (Latibex) in 2013 and 2014 were as follows:

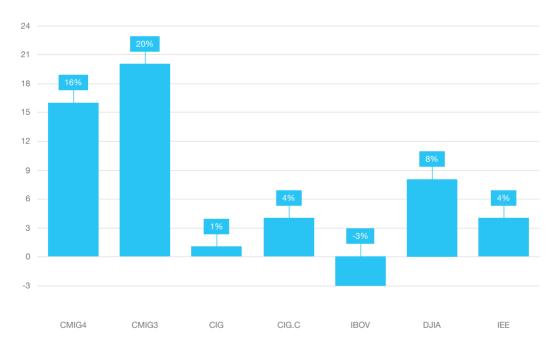
SHARES	TICKER	CURRENCY	CLOSE OF 2013	CLOSE OF 2014
Cemig PN	CMIG4	R\$	14.01	13.14
Cemig ON	CMIG3	R\$	14.2	13.8
ADR PN	CIG	US\$	5.86	4.9
ADR ON	CIG.C	US\$	6.39	5.35
Cemig PN (Latibex)	XCMIG	Euro	4.39	4.01

Total trading volume on the Bovespa in the preferred shares (CMIG4) in 2014 was R\$ 17.7 billion, a daily average of approximately R\$ 71.4 million. With this volume, our preferred share is one of the most traded on the Bovespa, providing investors with security and liquidity.

The average daily trading volume in ADRs representing the preferred shares on the New York stock exchange was the equivalent of the volumes traded in the Brazilian market when converted into Reais, which underlines Cemig's position as a global investment option. In 2014 the ADR for the preferred shares (CIG) traded US\$ 8.9 billion, with a daily average of approximately US\$ 35.4 million.

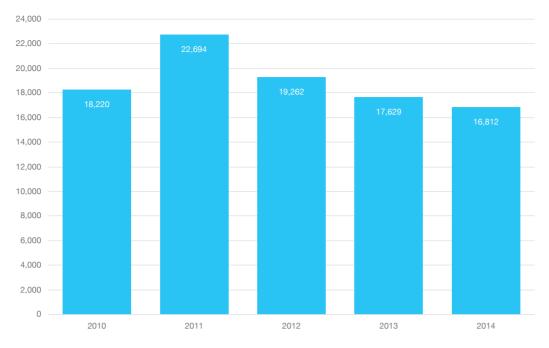
Both of Cemig's shares that trade on the Bovespa outperformed the Brazilian electricity sector index – the IEE – in 2014. The preferred shares (CMIG4) rose 16.06% and the common shares (CMIG3) 20.0%.

Share price variation in 2014

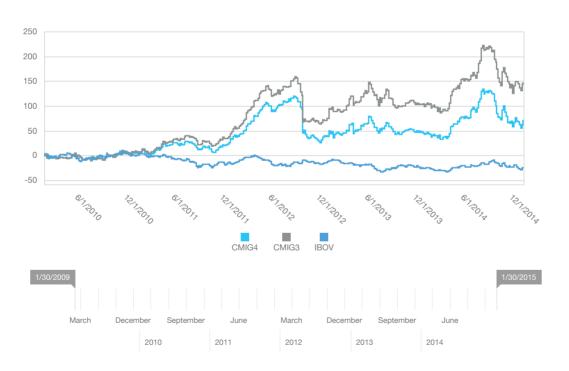


 $Market\ capitalization\ is\ calculated\ as\ the\ totality\ of\ the\ company\ shares\ at\ market\ price\ on\ the\ closing\ day\ of\ each\ year.$

Cemig - Market Capitalization (R\$ million)



These charts show changes in our stock prices over recent years, compared to the Bovespa Index - IBOV and the Dow Jones Industrial Average - DJIA:





Cemig's Dividend Policy

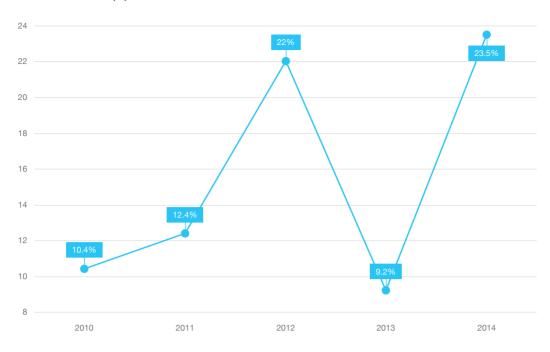
Cemig, through its bylaws, assumes the undertaking to distribute a minimum dividend of 50% of the net profit for each year. Additionally, extraordinary dividends can be distributed each two years, or more frequently, if cash availability permits.

The dividends are usually paid in two equal installments: by June 30 and December 30 of the year following the business year on the results of which they are based.

Dividends and Interest on Equity declared in corporate action by the Company during the year of 2014 reached R\$ 4,394 million, as follows:

- R\$ 2,859 million relating to the profit reserve existing at the end of the 2013 business year.
 - R\$ 1,704 million in extraordinary dividends (declared June 27, 2014);
 - R\$ 1,100 million in extraordinary dividends (declared November 7, 2014); and;
 - R\$ 545 million in additional dividends (declared on April 30, 2014);
- R\$ 230 million in Interest on Equity (declared on December 26, 2014), for the 2014 business year, to be accounted against the minimum obligatory dividend for 2014 proposed to the Annual General Meeting of Stockholders in April 2015.

Dividend Yield (%)



Proposal for allocation of net profit

The Board of Directors will propose to the Annual General Meeting, to be held in April 2015, that the profit for 2014 fiscal year, in the amount of R\$ 3,137 million, and the balance of retained earnings, related to realization of the Valuation Adjustments

Reserve in the amount of R\$ 71 million, should be allocated as follows:

- R\$ 797 million, corresponding to 25% of the net profit, as dividends, by December 31, 2015, as follows:
 - R\$ 230 million in Interest on Equity;
 - R\$ 567 million as complementary dividends;
- R\$ 2,411 million to be held in Stockholders' equity as follows:
 - R\$ 798 million corresponding to 25% of the net profit, to be held in the Reserve for obligatory dividend not distributed, to for payment as and when the Company's financial situation permits;
 - R\$ 1,584 million in the Retained profits reserve, to fund the Company's consolidated planned investments in 2015, as per a capital budget; and
 - R\$ 29 million in the Tax incentive reserve, for tax incentives ascertained in 2014 as a result of investment in the region of Sudene.

INTERNAL PUBLIC

CEMIG'S INTERNAL PUBLIC DMA

Cemig's management of its internal public aims to enhance employee well-being in a manner aligned with continuous improvement in organizational performance. Thus it is focused on development, analysis and improvement of the employees, the entrepreneurial structure, and the working conditions – with a permanent emphasis on employee health and safety. These principles, are indeed fundamental assets. In particular, our Human Resources Policy – especially in relation to work safety, occupational health and wellbeing, the Code of Conduct and Ethical Principles, and other manuals and internal guidelines – ensures standardized actions and decision-making encompassing all Cemig employees.

Development and decisions on the Company's Human Resources Policy and its related management processes regard the employees' well-being as a central factor, as well as the question of financial return for the Company. The Internal Instruction Manual is one of management's tools, offering standardized guidance on subjects such as recruitment and selection, career and compensation management, attendance, and workplace accidents, with instructions available to all employees.

Another tool used to manage these concerns is the Organizational Climate Survey, which is also particularly useful as a source of data. In 2014 the survey used a new method – validated by the consulting organization *Great Place to Work* – based on the concept that an excellent workplace environment is one that emerges from the relationships that the employees experience in their day-to-day work. The model for the analysis was based on central principles such as trust, credible leadership, and employees feeling they are treated impartially and with respect, coupled with the pride they feel toward their work, and peer-to-peer relationships. The Company's score was 63.7, with positive highlights in: safety; recognition of the importance of one's work for the company; and good personal treatment regardless of color, race or gender. Key points for improvement indicated by the survey were: transparency; and relationship with and recognition from people in leadership positions. Improving the organizational climate leads to increased workforce productivity and, consequently, better results for the Company.

Noteworthy among the 13 actions based on results of the 2014 Climate Survey were: progress in revision of the Jobs and Remuneration Plan; continuation of reformulation of the succession management process; continued improvement of the performance management process, concentrated on employee development; implementation of the new tool for Internal Mobility; and structuring of knowledge management initiatives. The labor union and other employees monitor all action related to the Jobs and Remuneration Plan through presentations and updates.

In 2014 Cemig and union groups signed a 'Health and Safety Compact', to plan and implement creation of an interactive process based on trust, respect and active staff participation in matters relating to employee health and safety, as reflected in the 'Live Wire – Powered Up' (*Linha Viva – Energizada*) program.

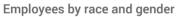
Continuing programs from 2014, a variety of goals and targets have been mapped out for 2015. These include completion and implementation of processes that will have a strong impact on personnel management, deriving from action plans drawn up on the basis of indicators, surveys and interviews by HR staff members (e.g. health professionals, social workers and technical instructors).

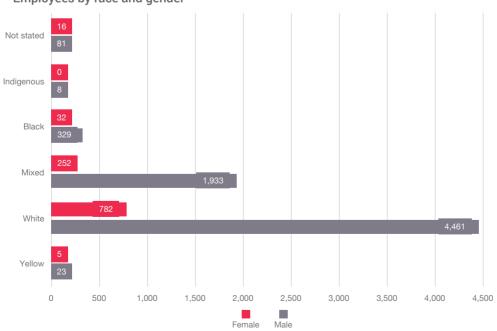
STAFF PROFILE

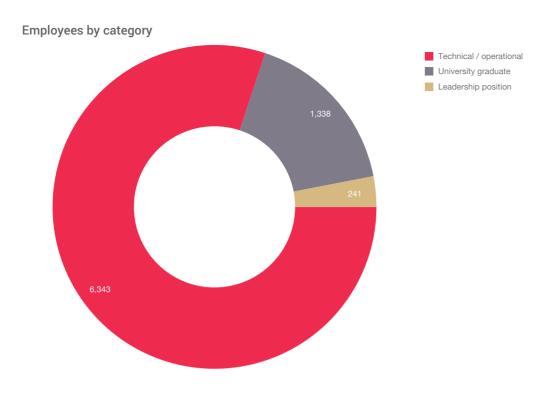
In addition to administering its own staff, the Company also manages employment contracts and relations with workers hired as temporary labor, apprentices that are minors, and trainees. Temporary work contracts are those that provide for specific, temporary conditions of a limited duration, for which there is no possibility of filling the opening in any other way; the trainee program seeks to offer professional development opportunities for students enrolled in universities and technical study programs, by joining theory and practice; and the Cemig-Cesam Apprenticeship Program offers teenagers from poor backgrounds a chance to develop new skills through professional apprenticeships under the supervision of Cemig employee-tutors. This table shows a profile of the Company's workforce.

		CEMIC	G'S OWN EMPL	OYEES				
Year	Leadership position		Higher	education	Technical level			
reai	Male	Female	Male	Female	Male	Female		
2014	212	29	1,050	288	5,572	770		
2014	24	41	1,	338	6,3	342		
2013	212	31	1,053	290	5,614	721		
2013	24	43	1,	343	6,3	335		
2012	251	35	924	235	6,104	819		
2012	28	36	1,	,159	6,0	923		
Temporary								
Year	Tempora	ary labor	Interns		Underage	apprentices		
rear	Male	Female	Male	Female	Male	Female		
2014	9	15	140	137	96	71		
2014	2	4	2	277	167			
2013	149	252	171 165		117	138		
2010	40	01	3	336	255			
2012	204	271	257	248	123	132		
	47	75	5	505	2	55		
Year			T-	otal				
, cai		Male			Female			
2014		6,835			1,087			
			7,	922				
2013		6,880			1,042			
			7,	922				
2012		7,279			1,089			
			8,	368				

Only one employee of Cemig is not bsed in the Southeast region; all others work in the state of Minas Gerais. Of the total headcount, 231 people, or 2.92%, have disabilities. This table gives the breakdown of employees by gender, race and employment category:

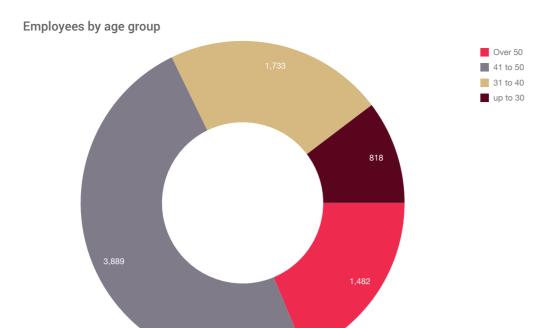






Of employees as a whole, the largest number are in the 41 to 50 age range. In senior management, 78% are over the age of 50, as shown:





Outsourced workers are managed on the basis of the specific contracts that they make with the individual departments that contract them. This also applies to health and safety issues, which are present at the various stages of contracting. More details are available in the item Suppliers.

With the new conditions of regulation in the sector, Cemig continues to seek greater efficiency and ever-closer alignment with sector standards and benchmarks. The policy to assist retirement for employees already qualifying continued in 2014. Based on studies and planning in line with corporate strategy, the Company hired new employees to fill vacancies resulting from retirements under the Early Retirement Plan of 2013, restoring the balance of numbers and technical resources.

In 2014, the overall staff turnover percentage was 2.71%. A total of 207 new employees were hired under public exams – 37.68% were women, 62.32% men – and 217 people left the Company, 15.67% women and 84.33%, men. The considerable (11.32%) variation from the previous year is because there was an early retirement plan in 2013 (though none in 2014). The higher percentage of terminations in 2014 reflects the much larger (61.3% higher) volume of applications for retirement.

This movement had a direct effect on staff training and development – for which the aim, as shown in the corporate strategic map, is sustainable development of strategic skills. In addition to providing training for the new employees, these efforts sought to retain the critical knowledge of those who left the Company in 2014.

DIVERSITY AND EQUALITY OF OPPORTUNITY

One of Cemig's principal values is a commitment to Ethics. This is a value of such importance to Cemig that in its Declaration of Ethical Principles and Code of Professional Conduct, under Principle No. 4 ('Professional Integrity'), the Company undertakes to foster diversity and non-discrimination on grounds of race, gender, appearance, age, religion, political ideology or time of employment with the Company.

Cemig is a signatory of the United Nations' Global Compact, which encourages practices to eliminate any kind of employment discrimination. It has issued a Corporate Social Responsibility booklet disseminating practices specified in the Compact and in Social Accountability standard 8000 – SA 8000, which encourages creation of good and dignified working conditions.

Concerned to meet employees' needs, Cemig offers guidance and support through its *Employees with Disabilities* Program. This benefit reimburses 50% of certain expenses of employees who are physically handicapped, or of physically and/or mentally handicapped dependents. These expenses may be for tuition at special schools, a variety of therapy options (art

HB3

therapy, music therapy, play therapy, hydrotherapy, equine therapy, swimming, physiotherapy, speech/hearing therapy), prostheses, disposable diapers, or other needs, subject to prior analysis by the Company's Medical Department.

Situations thought to involve discrimination can be reported through the Company's anonymous complaint hotline. In 2014, the Ethics Commission received no complaints concerning discrimination.

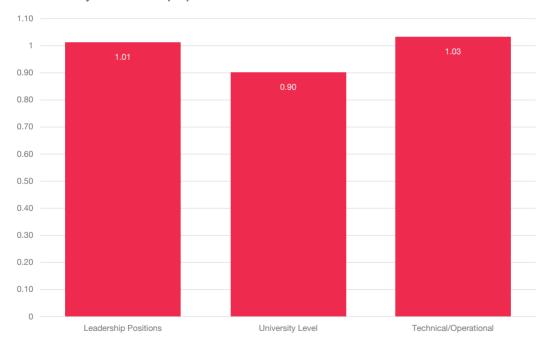
A traditionally male working environment, Cemig has sought to hire and encourage women to join its staff in both technical and management positions. It offers equal opportunity and differentiated benefits, such as pre-natal, post-partum and newborn care in the first three months of life, and daycare assistance.

The Company employs 1,087 women engaged in jobs ranging from technical and operational duties to executive management positions. Of this total, 26.13% are black or of mixed race. The women in the Company have a higher level of schooling than the men: 57.77% of all women at the Company have university training, and only 30.66% of the men. In senior management, women are 3.57% of the Board of Directors, and 9.09% of the Executive Board.

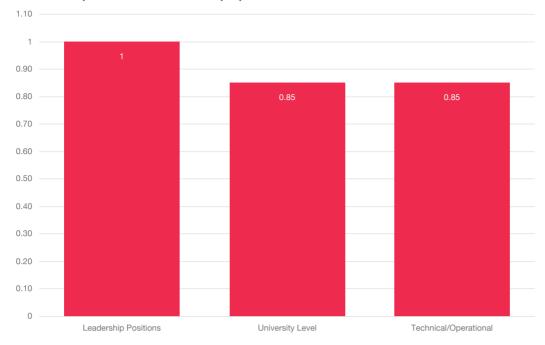
At Cemig, men and women have equal prospects for promotion, and the fact that women assume a higher degree of family responsibility than men, which sometimes has an impact on individual availability, does not constitute a disadvantage. There have even been cases of appointing a woman to a managerial position while she was on maternity leave, and on the first day back from maternity leave – demonstrating that the Company truly respects the particularities of a woman's situation. At the end of the day, what really matters is an individual's professional profile and job qualifications.

The next charts show ratios between salaries and compensation of men and women in Cemig:

Base salary: women's as proportion of men's



Total compensation women's as a proportion os men's



The average compensation for women is lower than the average for men in two categories – University Level, and Technical/administrative/operational Level. This reflects the higher number of men who work in situations exposed to risk, entitling them to hazardous-duty pay differentials.

COMPENSATION, BENEFITS AND PREPARATION FOR RETIREMENT

Intending at all times to maximize its attractiveness as an employer, Cemig's compensation strategy aims for a positioning that is compatible with the market, offering competitive benefits and programs fostering employee welfare. Its Jobs and Compensation Plan describes job positions based on their nature and complexity, as well as the knowledge an applicant needs to do the work. Compensation levels are determined by a specific method taking into account assessment of responsibilities. The Jobs and Compensation Plan is currently under review, with completion expected in mid-2015 (an extension of the original deadline from end-2014). It will aim to adjust the plan to new developments in the business, in alignment with the other HR processes – aiming always to attract, develop and retain the best professional talent. The Jobs and Compensation Plan also sets criteria for horizontal and vertical advancement, which take into account employee performance, among other factors.

Ratios between the lowest base salary paid by Cemig and the current minimum wage, for operational employees, such as Overhead Line Electricians, are shown below – based on the pay scales in effect on December 31, 2014.

COMPANY	CEMIG H	CEMIG GT	CEMIG D
(Lowest base salary) / (minimum salary in effect) on Dec. 31, 2014	3.54	2.13	2.00
(Lowest compensation) / (minimum salary in effect) on Dec. 31, 2014	3.58	2.77	2.60

Since 1997 Cemig has paid profit shares to its employees. The Profit Sharing Plan (*Participação nos Lucros e Resultados*, or PLR) is based on meeting corporate targets that ensure alignment with strategic goals. In addition to this trigger, only employees who score a minimum weighted average percentage in meeting their specific corporate targets are eligible for variable compensation. Payment of PLR is calculated in multiples of salary, which vary with the levels of responsibility within the organizational structure.

In addition to its compensation programs, Cemig offers a series of benefits managed by itself, by its pension plan, *Forluz*, and by its health plan (*Cemig Saúde*). These include:

- Benefits administered directly by Cemig: Advance against monthly salary paid on the 15th of the month; advance against Christmas bonus any month of the year at employee's request; vacation loans; reimbursement of certain expenses of employees and/or dependents with disabilities; education assistance; funeral assistance; paternity leave (in cases of illness incapacitating the mother); salary supplement for employees on INSS leave of absence; five consecutive days' leave for civil marriage, instead of the 3 days granted by law; 5 days' leave to care for a sick relative; meal/food vouchers maintained for 6 months if absent from work due to illness, and for 30 months if due to a workplace accident.
- Private pension plan benefits administered by Forluz.
- Benefits administered by Cemig Saúde: Health expenses for medical consultations, tests, outpatient care, hospital admissions, surgery, obstetric care and dental treatments for employees and dependents. Cemig also offers health improvement programs, administered by Cemig Saúde, such as the anti-smoking program 'Fresh Air' (Novos Ares) and the obesity program 'Weight in the Balance' (Peso em Equilíbrio).

Cemig also offers a voluntary Retirement Preparation Seminar. Employees may also sign up an adult who is a family member or close friend. This is an opportunity to discuss the moment of retirement and its repercussions at the personal and family level; receive a medical and psychological assessment for this phase of life; and attend presentations on activities such as entrepreneurship and volunteer work. Nine of these events were held in 2014, with 246 participants. Forluz offers a *Retirement and Finance Education Program ('Para Viver Melhor'*) which addresses questions such as budget management, investments, getting out of debt and how to live better within one's financial possibilities. The table below shows the percentages of employees meeting the conditions for retirement, now and by 2024.

EMPLOYEES WHO ARE ENTITLED TO RETIRE (%)									
FROM 2015 TO 2019			FROM 2020 TO 2024						
LEADER	UNIVERSITY DEGREE	TECH OP LEVEL	LEADER	UNIVERSITY DEGREE	TECH OP LEVEL				
1.14	3.16	13.61	1.02	3.40	19.04				

ORGANIZATIONAL LEARNING

Cemig invests continuously in building and managing corporate knowledge. Cemig's corporate university, *UniverCemig*, has been reformulating corporate training processes. Since its foundation in 2008 it has forged alliances and streamlined company training systems and activities. The changes gradually implemented include a survey of demands, simplification of corporate instructions and administration of the knowledge that is critical to sustainability of the business.

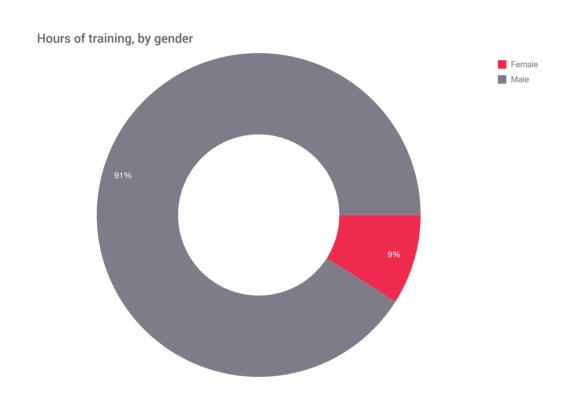
Training actions are designed to respond to corporate initiatives, performance evaluation, the annual needs survey and research into problem situations affecting business areas. These complementary alternatives make it possible to act on key points of attention in developing individual and corporate skills and knowledge. In this context, in addition to formal training, UniverCemig has taken part in a variety of Corporate Education and Knowledge Management initiatives. In 2014, as well as training technical staff, it has taken strong initiatives with partnerships in areas of strategic support, which have resulted in training sessions on information security, the anticorruption law and prudent investment.

Another initiative has been the development of a methodology for identifying and retaining critical knowledge. This involves mapping of critical knowledge and skills – to mitigate the risk of loss of productivity resulting from employees leaving the company or changing jobs.

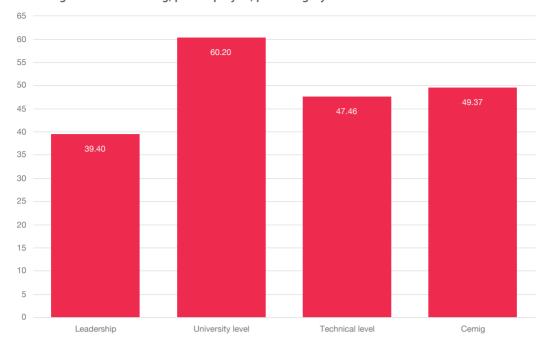
UniverCemig has been steadily moving closer to Cemig employees through improvement and adaptation of the SAP Learning platform. This is one more step toward streamlining and optimizing of systems, and will enable staff to directly access and manage their own training via the intranet, while giving UniverCemig more effective control and oversight of training activities.

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The impact of this commitment to corporate development can be seen in the quantitative results obtained. In 2014, UniverCemig offered 24,700 participations and 384,917 man-hours of training for Cemig's own employees. The total invested in training and development activities (including training for employees outside UniverCemig) was R\$ 37.5 million, which breaks down to R\$ 4,742.25 per Cemig employee. In addition to the number of training hours, it is important to assess program effectiveness. To this end, Cemig has developed a Training Efficiency Index – which achieved a score of 96.1% in 2014, higher than the 95% target set for the year.



Average hours of training, per employee, per category



The training target established for 2014 was 47 hours per employee, and it was exceeded.

The distance training program offered by UniverCemig is another option for transmitting information and knowledge on matters of wide interest quickly to a large audience. In 2014, Cemig invested R\$ 59,977.00 in distance training, for a total of 13,448 employee participations, saving some R\$ 2.2 million in expenses that would have been incurred for in-person training.

Another development program with results beneficial to both employees and the company is the training in Defensive, Effective and Responsible Driving. Cemig has teams on streets and highways 24 hours a day, contributing to essential driver awareness and skills to prevent traffic accidents, injuries and fatalities. In 2014, 1,117 employees took the course Defensive Driving for Cars and Light trucks; 346 employees enrolled in Defensive Driving for Heavy Vehicles; and 305 employees took the course in Driving a 4x4 under Adverse Conditions. The increase in employee awareness of traffic safety can be seen in the decline in the number of events per driver involving excessive speed in dry weather (75.3%) and in rainy weather (87.3%) – which helped reduce accidents involving company vehicles by nearly 23% in 2014 from 2013.

Outsourced sub-contractors providing security for Cemig's industrial and other property were given training and updating courses in 2014 including aspects of human rights. One of the aims of this program is to expand political and practical understanding of affirmation of Human Rights, perceiving the complexity and diversity of human beings and their rights. This also includes respect for diversity of sexual orientation and the rights of women (combating gender violence), children, teenagers, the elderly and individuals with special needs – in other words combating all discriminatory practices in the workplace. In 2014, 100% of the company's 198 security guards were trained in matters involving occupational health and safety and human rights, accounting for 64.71% of Cemig's full security staff.

PERFORMANCE MANAGEMENT



The aim of Cemig's performance management is to link personnel management to organizational strategy by establishing targets and agreements for individual development. At Cemig, this process is accomplished through application of multidimensional performance evaluations and goals. For goal assessment, every year each employee is evaluated on the basis of previously agreed targets, both corporate as well as specific; the results are reflected in variable compensation to be awarded individually. All employees also are the subject of annual multidimensional evaluations. For technical administrative/operational and university level staff, the multidimensional assessment makes use of the 180° method. Those in management are subject to a 360° appraisal – involving self-evaluation and assessment by peers, direct superiors, clients

Due to changes in performance evaluation methods, this process did not take place in the 2013/2014 cycle. Budget allocations for individual salary adjustments were based on the result of the performance evaluation for the three previous cycles. On this basis, in 2014, of 1,634 employees eligible for individual salary increments, 729 were awarded an adjustment – or 44.61% of those eligible, and 9.20% of all Cemig employees. Performance management is being improved, with all enhancements scheduled to be implemented before the end of 2015.

LABOR AND UNION RELATIONS

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Through its public adherence to the Global Compact, and also internally through its Human Resources Policy, Cemig recognizes unions as legitimate representatives of employees, and respects employees' union affiliation choices. The Company has set up a specific department to deal with labor union relations, and maintains constant contact with these entities, seeking always to use all means that are acceptable from a business point of view to achieve negotiated solutions in an ethical and respectful fashion.

The negotiations for the current Collective Bargaining Agreement (ACT - Acordo Coletivo de Trabalho), valid for the 2014/2015 period, between the Company and the unions are underway, with the parties engaged in evaluating the economic clauses, which may be revised annually, in accordance with a decision by the Regional Employment-law Appeal Court (TRT). As per this ACT, the Company brought forward a 6.34% salary adjustment, and adjusted the economic clauses by the same percentage, while also granting additional meal vouchers. The 2014/2015 ACT to be signed, as well as the TRT's Regulatory Judgment, covers 100% of employees.

LA8

The Regulatory Judgment maintained the same points in the ACTs as in previous years: payment of day-shift and night-shift overtime; bonuses; a ceiling for financial aid for technical courses or university study; advance payment of the first installment of the end-of-year Bonus; assistance benefits; paid time for union leaders to transact union business, with provisional job stability; funding allocations for salary adjustments in accordance with the Jobs and Compensation Plan; regulations for the Internal Accident Prevention Committees, to include union participation; medical health inventory; oversight of contractors with regard to job safety; and notification of serious or fatal accidents.

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Cemig considers the right to strike legitimate. However, since Cemig provides essential public services, Law 7783 of 1999 requires union entities or workers to give 72 hours' formal prior notice. During the negotiations held in 2014, when discussing renewal of the economic clauses in the regulatory judgment, there was a one-day work stoppage, in which approximately 10% of the employees participated.

If a strike does occur, the Company has an Operational Emergency Committee, responsible for a Contingency Plan to maintain the Company's essential services.

In union relations, Cemig:

- allows total freedom of participation in unions by employees, even offering the service of discounting a union contribution from payroll and paying it to the union;
- has 161 current employees serving as officers of unions representing staff;
- has 131 employees who have been granted provisional job stability due to their union activities; and
- has rules for conduct of sector meetings between union representatives and employees at Company facilities, and rules ensuring access for union leaders to Company facilities, in compliance with ILO Convention 135.

OCCUPATIONAL SAFETY, HEALTH AND WELL-BEING DMA



strategic map: to make Safety a key corporate value. This policy establishes the issue as being of major significance to the Company's business and for appropriate protection of its entire workforce, including own, sub-contracted and outsourced employees. Performance in OSHW directly affects the organizational climate, and can also have an impact on the Company's brand and reputation, as well as creating legal and labor contingencies.

Identification, assessment and control of risks to safety, health and well-being are important principles of Company policy.

Other key precepts are: a proactive approach to actions for prevention; compliance with legislation and internal standards; workers' right to refuse exposure to unsafe situations; and responsibility of the employee, regardless of rank, for failing to live up to the commitment to promote Safety, Health and Well-being.

As a ramification of this policy, Cemig:

- posts the OSHW Technical Manual, containing a series of mandatory internal instructions, on its Intranet;
- conducts periodic audits and establishes criteria and procedures for holding people liable and imposing penalties for failure to uphold policy, standards, instructions, procedures or orientations; and
- posts other information and campaigns on its website to encourage practices that can steadily reduce the number of accidents and cases of illness, not only in Cemig but in the industry as a whole, and also for clients.

As a result of this management strategy, at the end of 2013 the *Health and Safety Compact* was signed, which resulted in the formation of a task force in early 2014, made up of Cemig and union representatives, to foster joint actions to consolidate Safety as a company value, and to make considerations of health and safety a flourishing component of the organizational climate. Nine meetings were held over the course of the year, resulting in the following highlights:

- improvement in the flow of communication between teams of Live Wire electricians and the Distribution Operations

 Center (COD), including dissemination of information, changes of methodology and input of human and technological resources;
- improvements in training, information distribution and organization of electricians' work;
- implementation in Belo Horizonte of a pilot project in Work Gymnastics, to fortify the bone structure of the Live Wire electricians;
- study of ergonomic improvements in the forthcoming refurbishment of Cemig's vehicle fleet;
- study of the Jobs and Compensation Plan;
- a Live Wire Workshop, with participation by representatives of all Live Wire electrician crews, to discuss issues addressed by the Health and Safety Compact.

In addition, aiming to achieve more precise and proactive control in managing risks of workplace situations, Cemig is implementing a new management model, called *Hira-Cemig*. It develops scenarios through numeric risk profiles that take into account: a) existing hazards; b) the probability of hazards resulting in harm to people; c) mitigation through existing control measures; and d) increased potential of risks as a result of psycho-social hazards. Based on international standards and models, the new model allows for management of internal and external changes, verification of compliance with the legislation in force, planning and implementation of new measures for control, their validation with workers and direct supervisors, and identification of ergonomic demands, when analysts discover a need to dissect production processes in their search for solutions.

Cemig also has a variety of other tools that help in managing and monitoring OSHW at the Company, such as:

- Risk analysis, carried out prior to each operational activity. The specific aspects of each situation are taken into account, including workers' physical and mental condition in the period before they start the activity;
- the Monitoring and Auditing System for Analysis of Safety Practices (SIMASP), which standardizes and streamlines work safety inspections and provides data for the Safety Practice Indicator (ISP) a measure of compliance with occupational safety and health requirements and procedures in the work of the company's own staff and sub-

contractors; 🖸 Data on sub-contractors are managed by the contracting departments.

- the <u>Job Risk and Accident Monitoring System (SMART)</u>, which is run each month for accident management, generating statistical reports based on the registration of accidents, broken down by type;
- the <u>Environmental Risk Prevention Program (PPRA)</u>, required by law: this is executed annually at each company facility, and consists of anticipating, recognizing, evaluating and controlling physical, chemical and biological risks, serving as one of the sources for drawing up *Hira-Cemig* risk profiles;
- the <u>Interlude for Safety</u> a forum held monthly for presenting and discussing issues relating to OSHW, and sometimes used for alignment with policy and dissemination of information. The meetings in late 2014 dealt with the subjects *Electricity* (NR-10), *Confined Spaces* (NR-33) and *Working at Heights* (NR-35).

Other tools for monitoring employee health and well-being include periodic and special medical inventories, psychological evaluations and social inventories, conducted locally where employees are on duty.

In 2014, a joint study was conducted in areas affected by the Law 12,783 of 2013, which resulted in Cemig returning control of certain hydroelectric plants to the federal government. Some 200 employees took part in this study, consisting of three phases:

- Emotional reaction / acceptance;
- Study of the group expectations in relation to Cemig;
- Listing of individual expectations.

The Inner Happiness and Well-being program (FIB) was extended, which seeks to heighten Cemig employees' collective and individual sense of well-being. FIB uses bio-psychological techniques based on body-and-mind science.

Specific physical exercises stimulate the balanced functioning of the body's glands, which results in the achievement of physical and psychological well-being, as scientifically proven.

Some of

the practices have also even been included in courses at UniverCemig. Another ongoing health promotion program run by the Company is *Vital Energy*, whose chief aim is to raise employee awareness on the importance of the quality of life at home as well as at work. A detailed description of this and other programs can be accessed here.

In light of technological developments in the electricity sector, with a consequent need for review of working methods, the Company maintains internal committees that address technical matters directly or indirectly related to OSHW issues, in addition to actively participating in a variety of working groups at the national level, as well as on ABNT (Brazilian Technical Standards Association) commissions and study groups.

Cemig operates 73 Internal Accident Prevention Committees (CIPAs), which cover 100% of all employees and are made up of their representatives, employers and union groups. They operate autonomously and independently to work on prevention of accidents and occupational diseases.

Results of Indicators

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As a result of various company actions and programs oriented towards matters of Occupational Safety, Health and Wellbeing, accident indicators have shown a steady downward trend in the past 10 years, both for the company's own staff and for sub-contractors.

Cemig has a computerized system in which all accidents occurring on the Company's premises involving its own staff, sub-contractors or subcontracting firms are registered, as are accidents involving the public in the Company's concession area.

Accident Frequency and Severity Rates are monitored, with the adoption of the guidelines referenced in Brazilian Standard ABNT NBR 14280.

The two fatalities occurred in 2014, in a single event, where two employees of a subcontracting firm were on a motorbike and were involved in a traffic accident (collision). The Company and its sub-contractors have a variety of actions, campaigns and training methods in place, focused on prevention of traffic accidents.

Cemig's Lost-Time Injury Frequency Rate - the LTFR indicator - for all workers in 2014 was 2.03, an all-time low for the Company, and within the target set for the year. The indicator for sub-contractors was 2.13, and for the Company's own staff, 1.70. These figures are in accordance with ABNT NBR Standard 14280, which Cemig adopts. Cemig's figures for LTFR on the US 200,000-man-hour basis are as follows:

SAFETY INDICATORS US 200,000 CRITERION	2010	2011	2012	2013	2014
LTFR – Own employees	0.40	0.25	0.23	0.34	0.34
LTFR - Outsourced	0.53	0.76	0.51	0.45	0.42
LTFR – Labor force	0.58	0.63	0.44	0.42	0.40

MANAGEMENT OF SUPPLIERS DMA

Three main documents - Cemig's Supply Policy; its Declaration of Ethical Principles and Code of Professional Conduct; and its Anti-fraud Policy – orient Cemig's relations with the supply chain, backed and expressed by the Supplier Relations Manual, permanently available on Cemig's Suppliers' website - which was inaugurated in 2009 during the First Cemig Suppliers'

Meeting

Based on these policies, principles and guidelines, five priority commitments have been defined as a strategy for managing the supply chain: (1) commitment to the public good, and respect for the principles of legality; (2) commitment to business ethics; (3) commitment to equality before the law; (4) commitment to transparency; and (5) commitment to social and environmental responsibility.

These pledges are in keeping with the Principles of the UN's Global Compact, of which Cemig is a signatory.

Because its controlling stockholder is in the public sector, and is thus subject to the Law on Public Competitions (Law 8666/1993), Cemig does not engage in direct contracting of suppliers, nor does it preferentially hire local suppliers. However, a large number of local suppliers are registered on the website, and 62,103 of the 77,433 suppliers listed there in 2014 were from the Company's home state of Minas Gerais, or 80.2% of the total. The proportion of outlays with local suppliers in 2014 was 79.39% for materials acquisitions, and 81.13% for services, so that overall 80.37% of expenditure goes to Minas Gerais suppliers.

The supplier relationship begins with a rigorous registration process, in which candidates must satisfy legal, technical, financial, social, environmental and health and safety criteria to participate in tenders.

Bids must be in compliance with the terms of calls for bids, and the required documents must be submitted upon signing of the contract, which includes environmental, social and governance clauses. Candidates must pass the *Technical Industrial Evaluation* (ATI) – for suppliers of materials, or the *Technical Contractor Evaluation* (ATE) - for the service suppliers, and be compliant with the Social-environmental Responsibility practices specified in the SA 8000, ISO 14001, OHSAS 18001 standards and the Global Compact. In 2014, 63 ATI visits to register suppliers and 74 ATE visits to register contractors were conducted, all of them including environmental requirements.

Processes for registration, bidding and contracts will not be completed if the supplier is not compliant with all the employment, tax and environmental legislation. Selection of suppliers is by competitive bid, since the Company is subject to Law 8666, and therefore a bidder may be excluded if not compliant with legal requirements – such as the law against child labor, or other degrading or compulsory labor, and the clauses protecting human rights. Cemig encourages certain other supplementary items, such as implementation of ISO standards for Social and/or Environmental Responsibility, so that its value chain will disseminate good practices.

As described in the Chapter on Ethical Conduct, starting in January 2015 Cemig has included drafting on all contracts requiring the supplier to undertake: "to be aware of and comply with the rules specified in Law 12,846/2013, of August 1, 2013 (the 'Anti-corruption Law'); to abstain from committing acts likely to be harmful to the public administration; and to report the practice of any irregularities of which it may be aware through the reporting channels made available by the contracting party."

These requirements are constantly checked during execution of contracts, to see whether the conditions laid down in the call for bids are being maintained – in all the supply chains. And payment for services rendered is contingent on submission of documents proving payment of the employment-law-related charges on payroll, and of the employees' salaries themselves – so that contractual penalties can be applied if a supplier is not meeting its social obligations.

Cemig's principal action in relation to its supply chain is preventive (during the registration phase); but there are mechanisms for mitigation (fines, and cancellation of contract) and remediation (for example follow-up on termination of employees of sub-contracted companies).

A further procedure has recently been formalized: an assessment of risks to sustainability in the supply chain, in all purchasing processes in progress at Cemig and its subsidiaries. This assessment examines any economic, environmental and social responsibility risks to which the company is exposed due to the actions of its suppliers. These risks could cause damage to Cemig's brand, image or reputation in the eyes of the numerous stakeholders, or losses relating to the market and the Company's competitiveness, with the possibility even of criminal or civil liability being urged against the Company. The Company also seeks to use management of the supply chain as an opportunity to improve its financial performance over the long term.

Accordingly, the company has identified which of its suppliers have high sustainability risk, considering the potential negative impacts that could result from serious non-compliances on their part. The identification of materials, services and suppliers

that pose a high risk to sustainability is reviewed annually, prompting follow-up and oversight of suppliers from the registration stage through to technical evaluation and oversight of contract execution.

For already approved suppliers, there are extensive requirements and diligence involved in mapping potential risks, and the probability of their realization, and their tangible and intangible impacts in terms of financial value or of strategic importance to the Company. This analysis is conducted to measure risks and losses that could result from failures, in the supply chain, to uphold environmental, social and governance legislation and requirements.

Among factors considered as having the potential to generate negative impacts are: environmental operating permits, products and services, waste management, water use permits, fundamental human rights considerations, child labor and compulsory labor, freedom of association, working, occupational health and safety conditions, business ethics, corruption and anti-trust practices.

To prevent and mitigate risk, the Company adopts risk management measures that, primarily, include transparency in all bidding processes. In addition, Cemig encourages improvement in the management of its service providers through a contractual clause requiring amortization of any penalty payments by as much as 50%, if compliance is proven with requirements such as: ISO 9001, ISO 14001 and OHSAS 18001 certifications; proof of training of technical staff; and having service managers enrolled in or graduated from corporate management courses.

For suppliers with low performance grades or showing negative or potentially negative conduct in assessments, inspections or audits, penalties may be imposed in the form of penalty payments, warnings, meetings, cancellation of orders or contracts, or revocation of approvals; or internal proceedings for suspension of registration – depending on the seriousness and/or recurrence of the circumstances in guestion.

In 2014, Cemig initiated 42 administrative proceedings: 32 were for breach of contract (failure to meet deadlines, non-delivery of items, irregular service); one for serious accidents; two for irregularities in specific work projects; and 7 were cases to ascertain the legitimacy of bidding procedures.

To measure the performance of suppliers or contractors, Cemig uses the IQSC (Contracted Services Quality Index), which combines indices of quality with social and environmental considerations. Cemig's suppliers achieved a global IQSC of 89.92% in 2014.

Details on this KPI are available online at: http://www.cemig.com.br/en-us/suppliers/Documents/LINK%205%20PDF%20ING%20rev%20final.pdf

To ensure supplier oversight, Cemig maintains its practice of daily inspections of contractors: there were 10,258 safety inspections to analyze Safety Practices, which can be expressed as a total of 184,465 man-hours inspected. Service quality inspections, which are also routine procedures, to assess the quality of services and waste management, totaled 58,294 procedures – summing emergency and commercial services.

In all cases, throughout 2014 Cemig maintained – and monitored contractors' compliance with – its requirement for obligatory declaration by new suppliers (and those renewing registration) that they do not employ minors under 18 on night, hazardous or unhealthy work, nor employ minors under 16 for any kind of work (Law 8666/93).

Other forms of monitoring, evaluation and control of the supply chain include: internal audits, by audit teams that are independent of the supply chain and of contract management; ISO 9001, ISO 14001 and OHSAS 18001 audits conducted by third parties; and oversight of contracts by managers.

MANAGEMENT HIGHLIGHTS AND PROGRESS IN 2014

Start of service for logistical operations in Cemig's materials supply chain

Coordinated logistics can reduce costs, enhance specialization, improve operational data management and maximize operational efficiency, providing effective service quality to the client while streamlining operating costs.

In June 2014 Cemig put in place an integrated logistical operation for materials and transport of special loads. This will not only provide a financial gain but improve lead times for consumer connections and in the company's works on maintenance and expansion of its electricity system.

The Cemiq Suppliers Award - 2014 edition

As a way of encouraging quality in the provision of goods and services, and also recognizing the synergy achieved in reaching common goals with the Company, a number of suppliers of materials and services were honored at the 5th annual Cemig Suppliers Awards event held in May 2014.

In 2014, a universe of 625 suppliers received purchase orders or contracts from Cemig. Of these, the awards singled out 69 suppliers for performance based on criteria such as quality, safety, guarantees and price. Of this total, 38 achieved a grade of *excellence* in 'Assured Provision of Materials.' They won plaques in recognition of their services – and as well as trophies, they also received certificates exempting their deliveries from prior inspection of goods by Cemig for a period of one year.

Three suppliers were recognized for their Social and Environmental Responsibility practices; and in the Job Safety category four were considered to be of significant benefit to society. This special recognition of contributions to job safety is a feature introduced to these awards in 2013.

Program for carbon management in the value chain

The 3rd edition of the Program for Carbon Management in the Value Chain, developed by the Chamber for Energy and Climate Change of the Brazilian Business Council for Sustainable Development (CEBDS), Brazil's representative on the World Business Council for Sustainable Development (WBCSD), has been raising the awareness of 250 suppliers of member companies and has trained them to draw up their own Greenhouse Gas (GHG) emission inventories since 2012.

Cemig was one of the Program's sponsors in 2014, together with another 10 CEBDS member companies. Some 123 suppliers were given training – an increase of 22% in engagement from 2013. And 33 suppliers completed their emission inventories, while another four are drawing them up – an increase of approximately 10% in relation to 2013.

COMMUNICATION CHANNELS WITH SUPPLIERS

Cemig has created a Procurement Website for supplier engagement. It is an open, direct-interaction channel that gives access to all procedures for tender processes; publishes and executes contracts; and fosters supplier interaction and follow-up on processes and results. It also enables suppliers to post proposals and bids, register authorizing documentation and take part in electronic auctions.

The site is accessible to the public and allows stakeholders in general to follow these processes, contributing to greater transparency and authenticity.

E-mails of complaints and suggestions have been a standard feature for all management units engaged with suppliers.

Cemig has now restructured and standardized this system for e-mail communication, in 2014 – for improved visibility, and to encourage use by other stakeholders. The most frequent requests have been for explanations and information about tenders and contracts. The complete inventory of contact and interaction with suppliers could be summed up as: phone, e-mail, publications in the Official Gazette (*Diário Oficial*), PEC (Procurement Portal) exchanges during online auctions, fax, correspondence, meetings and visits to address specific questions.

All requests for information received through any of the channels are analyzed and forwarded for appropriate treatment.



In December 2013, Cemig was served with an infringement notice by Brazil's Employment Ministry arising from an inspection made at a company participating in a consortium of service providers in the Belo Horizonte metropolitan region related to electricity distribution. Cemig presented its defense to the Minas Gerais Regional Labor Bureau, an agency of the Employment Ministry.

As noted previously, all Cemig's service contracts include obligations that seek to ensure complete compliance with Brazilian law, including those concerning amounts payable by the employer under the employment and social security laws, and in particular, health and safety conditions.

The requirements specified in the Company's bidding processes and contracts are checked for compliance during execution of the contracts – including the payment obligations due to employees under the employment laws, health and safety criteria, and procedures relating to adequate execution of services.

In 2013, numerous safety inspections were also conducted at the company in question. The documents obtained and inspections performed by Cemig indicated that the employees' due payments under the employment laws were being regularly paid; the legal working shift was being obeyed – a minimum of 11 hours between shifts – and employees were being properly compensated for services rendered.

In addition, Cemig demanded submission of a statistical table of overtime hours worked. The documents submitted by the contractor did not show that employees worked an excessive number of hours. Furthermore, it was established that all employees had received specific training for the services they were executing.

Cemig notified the company in question about the violations identified in the enforcement actions, and accompanied the corrective measures adopted. When it ascertained that some violations persisted, Cemig applied the penalties stipulated in the contract.

In the second half of 2013, the Contractor was served notice to regularize the violations, and incurred penalties for breach of contractual obligations.

In addition, Cemig took appropriate measures, having applied contractual penalties that had been specified, and started Administrative Proceedings, in which the contractor has full right of defense. These resulted in the following sanctions:

- Rescission of the contract with the Company; and
- Suspension of the contractor from the Cemig supplier registry, and its right to take part in tenders by Cemig, its subsidiaries and affiliates for a period of two years, counting from the first business day after the publication (on January 31, 2014) of the result of the administrative proceeding in the Federal Official Gazette (DOU Diário Oficial da União).

The penalties adopted by Cemig were published in the DOU on January 31, 2014.

To guarantee the employment—law rights of the Contractor's employees, and bearing in mind the suspension of the company in question, Cemig monitored the process of termination of employment contract of each one of the employees, to ensure that due payment of wages and benefits was made, and also the official ratifications of these terminations with the labor union representing the group.

Cemig has endeavored to see to it that any workers interested would be accepted at other companies holding valid contracts with Cemig for services in distribution networks.

The Company has intensified its inspection activities to ensure that contracted services are executed with due

preservation of quality and, above all, with appropriate health and safety conditions for the workers involved.

In July of 2014, an Employment-law Court issued an interim remedy ordering the Federal Government to abstain from including the name of Cemig in the Federal List of Defaulting Debtors (Cadin), or if it had included it, to exclude it, in all matters arising from fines applied under the infringement notices as they applied to Cemiq.

THE IMPORTANCE OF COMMUNITY RELATIONS DMA

Cemig bases its relations with communities near its project sites on actions guided by a sense of shared responsibility, and by stimulating local economic and social development. It acts in accordance with its Community Communication Policy, which specifies guidelines to indicate what strategy the Company should adopt, and is used to establish criteria for business decisions involving local communities.

Maintaining a communication process ensures quality engagement with a broad spectrum of stakeholders. In all Company interactions, care is taken to respect and listen to those who have direct contact with Cemig or are affected by any of its activities. At new facilities or others administered by the Company, contact with communities occurs throughout the year, via education projects, encouragement of handicraft production and local activities, rainfall alerts, periodic visits and training sessions geared towards assistance and keeping up with local developments.

Employees who perform field activities and interact directly with communities identify requests for engagement opportunities. After the appeals are analyzed, they are followed up through the business communication department, which is responsible for diagnostics, planning and execution.

Cemig uses a variety of tools for developing and implementing these actions. One is the Social-environmental Diagnosis, which it carries out for each project. This involves a qualitative survey of opinion makers to identify community perceptions of Cemig's image and role in the region, on the basis of which a methodology keyed to local habits and customs is developed. Every three to five years a new study is carried out to measure people's knowledge of Cemig's program and image. Another tool is the Communication Plan, which seeks to keep the public informed about the company, with emphasis on disruptions that might affect people's daily lives directly or indirectly, in terms of expectations and demands associated with operation and maintenance.

In addition to the tools for engagement already noted, the Company also organizes institutional contacts, meetings, lectures and events, news clipping summaries, press releases, visits to facilities, creation and distribution of materials and informational items, while also conducting opinion surveys, among other things. All information gathered in the field is systematically compiled in periodic reports.

Communication agents assigned to engage the public through the Face-to-Face program, in rural Minas Gerais, are another bridge between the Company and the community. They make direct contact, and are present at the Company's projects wherever there is significant need for this attention. They are responsible for holding regular meetings and for developing and disseminating all kinds of communication packages. All the requests they gather are passed on in reports, which are analyzed and generate action plans. In 2014, Cemig made more than 250 visits serving more than 20 municipalities in the Irapé region, where the program is in pace permanently.

The Company recognizes the importance, and particularities, of every community. It endeavors, based on an in-depth analysis

of socio-environmental diagnostics and surveys, to define key difficulties and needs, and based on this understanding to offer assistance through actions and social projects. This community relations strategy in the Company's areas of influence has various results, including:

- Building of credibility and a perception of the Company's commitment to addressing public demands.
- Contribution to local development through shared responsibility; promotion of well-being, culture and sports;
- Stimulation of local economic and social development, providing access to electricity, and serving low-income communities through energy efficiency programs;
- Respect and attention for those affected by an activity or who have direct contact with the Company.

One highlight in 2014 was the Company's *Proximity* program. Bringing the Company's community relations activities together into a single stream, this includes a series of meetings which give the public an explanation of the operational and safety procedures at Cemig's hydroelectric plants, instructive information about climate conditions and environmental aspects, and even guided tours of its power stations — and collects requests from the public. It also establishes partnerships with local leaders, official agencies, media and other agents responsible for safety and preventing flood damage, such as Civil Defense, the Fire Department and the Military Police. In the past three years this program was offered at 31 hydroelectric plants, reaching a public of 1,400 visitors.

Cemig has created a wide range of socio-environmental activities in connection with its projects. A good example is the series of meetings with local leaders and residents at the Sete Lagoas Solar Plant in 2014, and the associated environmental education program, which attracted some 1,400 students – in tandem with a tree-planting project in the district where construction is in progress, conceived as a response to concern for the neighboring community's well-being.

Some of these activities respond to particular conditions. An example is Araxá, where an environmental education program was offered to the public affected by construction of the Araxá 2–Jaguara Transmission Line, which runs from the municipalities of Araxá and Sacramento in Minas Gerais to Rifania in São Paulo state. The aim of the program is to make information available, through a range of communication tools and channels, to those who are directly affected. These lines of action are identified and prioritized in response to the needs and expectations of the communities where Cemig operates, as captured by diagnostic surveys executed through the Communication Plan.

The Irapé Power Plant

Special attention was given to the social and environmental program at the Irapé Hydroelectric Plant. This included a remodeled strategy for communication with the community, to achieve maximum interaction. Today, there is a dedicated field communicator for face-to-face visits, to provide information about Cemig and to keep track of local demands from the affected communities, the urban population in the surrounding area and residents in municipalities indirectly involved in the project – and to be a channel for information with the local press, NGOs and political and religious leaders. A specific website about the plant was created in 2014, which will be a further tool for informing the public about works and activities in the vicinity.

TERRITORY MANAGEMENT

EU22

EC9

distribution facilities.

To build substations, power plants and repeater stations, Cemig sometimes has to acquire the property of residents in communities where the company is establishing a project, or rights of way to implement distribution and transmission lines, or distribution networks. To guide this process, an internal instruction, 'Social and Environmental Negotiations at Cemig' and Aneel Normative Resolution 560 of July 2, 2013 provide orientation on areas declared to be of public utility for the purposes of expropriation and establishment of rights of way needed for installation of electrical generation, transmission and



Feasibility studies carried out by specific internal teams identify people who will be affected by projects. These studies ascertain whether the options for routes will affect preservation areas, legal-reserve areas, or sites being or to be divided for new housing; whether recent improvements will need to be eliminated; whether owners accept the proposed project; amounts of compensation to be paid; and other issues. The best route is chosen after analysis of these studies.

No families were displaced in 2014, but 555 negotiations were conducted with owners for implementation of 39 Cemig projects, involving approximately R\$ 8.2 million. None of these negotiations prompted any lawsuits against Cemig (sparing the Company additional expense). Cemig respects the individual integrity of each citizen, and the history and culture of the communities affected by projects, and also values amicable negotiations — seeking to compensate property owners with the fair market price, based on appraisals drawn up in accordance with Brazilian Association of Technical Standards - ABNT NBR 14.653.

In addition to outreach initiatives with the communities in areas where Cemig and its subsidiaries operate, also important are some of the initiatives involving firms in which the Company does not have a controlling interest. Cemig's participation in these other development projects is part of its strategic objective to diversify its business and growth via holdings in large-scale hydroelectric plants. The size of these projects gives rise to a variety of demands, which are dealt with by the construction consortia, and government agencies, without involving Cemig, which is a minority shareholder.

The main social initiatives adopted by these companies in 2014 are described below.

Light

In 2014, Light maintained its partnerships with the state government, operating in areas where Police Pacification Units - UPPs were set up, to renovate and extend low- and medium-voltage networks, install and replace transformers, install distribution poles, and conduct client registration and re-registration, as well as actions sponsored by the *Efficient Community* Program. Nearly R\$ 330 million was invested in the program to reduce electricity distribution losses in 2014, with Light allocating R\$ 16.9 million to network improvements and R\$ 40.1 million for installation of 40,357 meters in these pacified communities. In other areas with high loss rates, R\$ 28.8 million was spent on network improvements, and R\$ 143.8 million on installation of 148,480 new meters. Of this total, an additional R\$ 49.0 million was invested in normalization of 49,886 low-voltage clients, and R\$ 6.9 million for 842 medium-voltage clients.

At the same time, R\$ 22.3 million was invested in the *Efficient Community* program, which replaces refrigerators and incandescent light bulbs with more efficient alternatives, and provides education on rational and safe electricity consumption.

It can be highlighted that the current priority of the *Efficient Community* program is Light's *Energy Losses Reduction*Program. In a new mode of relating to clients, Light encourages energy efficiency while disseminating social benefits and helping to improve the quality of life for residents of these communities by enabling them to adapt consumption to what they can afford. The company benefits from reduced electricity theft and fewer account defaults.

Belo Monte

As a result of the decision to build the Belo Monte Hydroelectric Plant, 3,784 families, or about 15,000 people, were relocated in the period from January to December 2014. Of this number, 1,785 families from the urban area of Altamira were relocated to urban resettlement communities in Jatobá, São Joaquim, Casa Nova and Água Azul, while 474 received compensation. In rural areas, 367 families received letters of credit, and 1,158 indemnities were paid in cash.

The charitable component of the Belo Monte projects is organized by the Belo Monte Social Welfare Forum - FASBM, structured as a committee, with commissions and sub-committees on specific issues. The Forum consists of 26 local and regional representatives, including town governments, associations, labor unions, cooperatives, the federal agencies Ibama and Funai, and the Federal University of Pará - UFPA. From its creation in July 2011 through December 2014, 77 meetings

were held with a total of 1,935 participants.

The *Program to Encourage Professional Training and Development of Productive Activities* is another highlight initiative which, through December 2014, has trained a total of 1,107 participants in Senai and Sebrae courses offered to the public in areas directly influenced by Belo Monte, focusing on opportunities generated by the project. At the same time, 328 local companies have been registered and assisted through the differentiated purchasing system developed by the Suppliers' Development Network of the Federation of Industries of the State of Pará - Fiepa. It is designed to bring together Norte Energia's local suppliers and the construction and assembly consortia building the Belo Monte Plant, to stimulate the region's business environment and prioritize local purchasing.

Renova

The Social Communication Program of the Alto Sertão I, II and III Wind Complexes seeks to promote a channel for interaction and exchange of information with communities in the Complex's areas of influence about the operation and building of Renova Energia's wind farms. It also disseminates environmental control measures to control, monitor and mitigate any impacts that the construction and operation of the wind farms may cause.

The Alto Sertão I and II Wind Complexes (in operation), and the Alto Sertão III Wind Complex (under construction) are in the municipalities of Caetité, Igaporã, Guanambi, Pindaí, Urandi, Riacho de Santana and Licínio de Almeida. The various publics that interact in this program comprise social agents from the areas of influence that are categorized as (a) priority zones: Directly Affected Areas - ADAs, Areas of Direct Influence - AIDs and Areas of Indirect Influence - AIIs; and (b) secondary zones: other municipalities in the *Productive Sertão* and the *Velho Chico* Identity Territories, and state-government bodies.

The methodology for this program aims to encourage participation by local groups before, during and after construction of wind farms.

In the pre-implementation phase in 2014, meetings were held to introduce the Alto Sertão III Wind Complex Project in six municipalities — Caetité, Igaporã, Pindaí, Urandi, Licínio de Almeida and Riacho de Santana. The meetings were held together with the local government authority, attended by 33 participants. A further 22 meetings were attended by 1,211 people from ADA and AID communities.

For the construction and operational phases, the meetings of the Project Oversight Commission - CAE were a key factor. This Commission was established to oversee the implementation and operation of the projects, including environmental programs to be implemented as conditions of the Installation and Operating Licenses. One of the main contributions the CAE can achieve is greater engagement among agents involved in the project, enhancing positive effects, and anticipating problems that could arise from construction and operation of the wind farms. In addition, it provides a forum where plans and environmental licensing programs can be discussed transparently and democratically.

Also in 2014, Renova Energia continued its quarterly meetings with groups from the Alto Sertão I and II Wind Complexes – which both started commercial operation during the year. These commissions are made up of the following groups: NGOs, officials and councilors of municipal government, community leaders and representatives of civil society and the business community. The Project Oversight Commission of the Alto Sertão I comprises 11 active members and their respective substitute members; that of the Alto Sertão II has 20 active members, also each with a substitute member.

CORPORATE CITIZENSHIP AND PHILANTHROPY

In line with its Vision, Mission and Values, Cemig creates shared value, joining philanthropic strategies and corporate citizenship with business objectives and promoting economic and social development of the communities in which it operates. Fostering the social transformation of local communities was one of the themes identified in Cemig's materiality matrix that reinforces the aspirations and expectations of its various stakeholders.

To this end, Cemig has developed a strategy for sustainable community development, creating sustainable value in partnership with government entities (state Health, Education and Culture Secretariats, federal Sports and Health Ministries) and philanthropic institutions (through the *Al6*% and *Account Exemption* Programs), while also relying on the engagement of employees (Al6%, and the Volunteer Group) and society (clients donating to the *Programa de Apadrinhamento* ['Sponsorship Program'] through their monthly power bills).

Operating in an emerging market, Cemig has defined the priorities of its strategy for Corporate Citizenship and Philanthropy as follows:

- social and educational development;
- strengthening the cultural sector; and
- increasing its participation in the sports sector, bolstering the Company's brand and image in the market and in society.

Cemig's Sponsorship Policy is codified in a document that reiterates the Company's commitment to management transparency, making public the funding assumptions, underpinnings and origins that guide its decisions regarding sponsorships, support programs, partnerships and the use of federal incentive laws in its various social, cultural and sports investments.

Cemig also has prepared an internal Service Instruction establishing duties and responsibilities for all agents involved, designed to ensure sound management of social projects. The following Cemig programs, which strive to enhance social and educational development, are particularly notable:

- Grant Program;
- Sponsorship Program;
- FIA and AI6% Programs;
- Health Projects;
- Energy Efficiency Program. C Described in the Clients and Consumers chapter, Energy Efficiency and Conservation item.

Through the **Grant Program**, Cemig offers a 25% discount on electricity bills based on average consumption over the last 12 months to philanthropic institutions, at a locked-in rate in Reais. To participate in the Program, the eligible social assistance entities •

Long-stay institutions for the elderly - ILPI (nursing homes); daily child care center; Association of Parents and Friends of Exceptional Children – APAE; shelter; hostel; halfway house; casa-lar (house-home) and recovery center for drug addicts; and health services entities.

must

possess a Certificate of Good Standing issued by the Development Secretariat. In 2014, the program's discounts benefited 1,125 organizations with an aggregate of reductions in their electricity bills totaling R\$ 6,734,440.00. The program generates savings for institutions that can be used for social welfare purposes. It also reduces power bill payment defaults, since only institutions that are compliant with Cemig can receive the benefit.

The **Sponsorship Program** involves the collection of third-party donations (sponsors) in favor of the institutions, through electricity bills, which are wholly transferred to their bank accounts. Sponsors who enroll in the program can choose which registered institutions to benefit and the amount to be debited on the electricity bill. In 2014, approximately 332 institutions received an aggregate R\$ 43.825 million in donations through the program. Thus, using its energy billing system, Cemig can establish partnerships within society (clients, who become sponsors of the institutions) that benefit society and, thus, enhance its image as a company committed to the development of local communities. The institutions, for their part, receive secure donations making use of Cemig's infrastructure and capillarity, without their having any costs of their own on communication or printing of billing and/or payment slips.

The Al6% Program aims to encourage Cemig employees and retirees to transfer up to 6% of their income tax to Funds for Children and Teenagers (FIAs). In 2014, the FIA transfer incentive program involved 2,158 Cemig employee volunteers,

earmarking funds to 102 municipalities and benefiting 193 institutions. The amount allocated by the employees was R\$ 1,353,389.00; the Company's matching investment was R\$ 2,500,000.00. In total, some R\$ 3,853,389.00 was transferred to help approximately 24,814 children and teenagers.

Corporate Volunteer Program

Aiming to expand engagement of its employees in social causes, in 2014 Cemig changed the structure of its Social Responsibility Committee, which now includes a group of company volunteers who are responsible for establishing the Corporate Volunteer Program's guidelines and standards, organizing and managing voluntary initiatives in alignment with corporate strategy. The committee encourages and supports the involvement of its employees in volunteer activities that benefit communities.

This is in fact a revitalization of an existing program Cemig has run for many years, based on initiatives that have been very successful with its employees. We can mention two of these:

- Al6%: previously reported in this item.
- "V-Day": a date focused on mobilizing and fostering solidarity actions, held annually in a previously selected community. It is conducted in partnership with several Cemiq group companies to encourage employees to volunteer.

In 2014, 17,187 hours were dedicated to the Volunteer Program, including its planning and organization, as well as technical visits and participation in courses and conferences by members of the Corporate Volunteer Group — resulting in an average of 2.17 hours/employee.

In **Health**, Cemig participated for the second consecutive year in Health Ministry Programs in conjunction with the government of Minas Gerais through the Health Secretariat, as follows:

- Pronas National Program for Health Care, benefiting 10 entities;
- Pronon National Program for Oncology Support, benefiting three entities in Minas Gerais state.

Strengthening the cultural sector is also one of the Company's Corporate Citizenship priorities. To foster culture, Cemig assists local society through generation of recreational opportunities, while preserving the memory and identity of the communities in which it operates. This extends to the Company's own history, as well, because Cemig has strong national and Minas Gerais-state cultural roots. These initiatives also boost Cemig's reputation with its various stakeholders; for example, as a company that protects cultural heritage and encourages artistic expression.

Cemig partners with the Minas Gerais State Culture Secretariat in its cultural initiatives, a policy that ensures alignment with public policies — a strategic factor for assertively choosing projects it wants to sponsor or wishes to participate in to assure continuity of structuring actions in this field.

The two main programs are:

- **Cemig Cultural** A program that encourages research and development of artistic languages and free entrance, and thus has become a basic investment for the development of the cultural market and contributes to sustaining permanent education spaces.
- Filme em Minas (Film it in Minas) A program to stimulate audiovisual creation that is heating up the audiovisual production market in the state of Minas Gerais. It encourages adoption of new languages and formats that reveal the state's cultural plurality and diversity.

Cultural sponsorships benefited a total of 164 projects in 2014, with investments of R\$ 7.4 million in own funds and R\$ 20.2 million in transfers through tax incentive laws.

Another one of the Company's objectives is to uphold Cemig's commitment to the realities and demands of the local

environments in which it operates, contributing to the development of sports in line with public policies enacted by communities. For the community, the program helps meet social recovery and citizenship goals, especially for children and teenagers, by encouraging sports and generating opportunities for local youths to become athletes. For Cemig, the program enhances its image as a company committed to the development of healthy habits and the welfare and development of the communities involved.

In 2014, the Company invested a total of R\$ 8.4 million in sports and received the *Prêmio Empresário Amigo do Esporte* (Sport-Friendly Entrepreneur Prize) awarded by the Sports Ministry; it was also named the company that most invests in sport in the state of Minas Gerais.

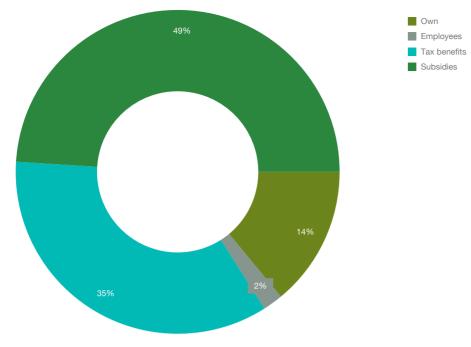
One of Cemig's prominent sports projects is *Versol*, which was created to promote social inclusion and citizenship awareness in children and youths from low-income backgrounds, providing socialization paths through sports, vocational training courses geared to the nautical labor market, environmental education and the restoration of elements of nautical culture. For children aged 9-15, the sports development program offers sailing initiation courses and training through practical and theoretical classes in swimming, sailing (dinghy and Optimist classes) and rowing. From age 16, students receive professional training, including Outboard Engine Mechanics and Ecotourism courses. Begun in 2010, the project is a partnership between Cemig, the Três Marias city government and *Instituto Rumo Náutico*, the sailing institute directed by the Grael brothers. More than 1,500 students have been through the program in the last four years.

The following table presents the Company's social investments.

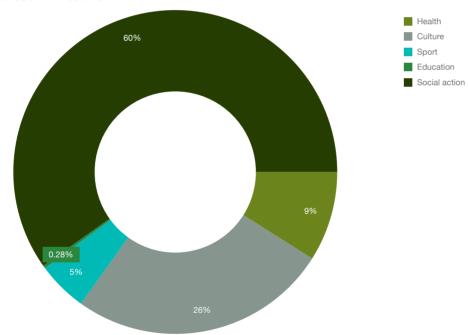
INVESTMENT AREA	2013 (R\$)							
INVESTMENT AREA	OWN FUNDS	WITH TAX BENEFITS	TOTAL					
Culture	6,566,990	18,263,899	24,830,889					
Eductaion	1,200,000	-	1,200,000					
Sport		3,794,304	3,794,304					
Health	-	5,564,501	5,564,501					
Social actions	5,973,221	41,870,762	47,843,983					
FIA / AI6% / Donations	5,973,221	5,470,762	-					
Smart Energy Program		36,400,000	-					
Total	13,740,212	69,493,466	83,233,678					

INVESTMENT AREA	2014 (R\$)							
INVESTMENT AREA	OWN FUNDS	WITH TAX BENEFITS	TOTAL					
Culture	7,438,611	19,377,222	26,815,833					
Eductaion	-	286,950	286,950					
Sport	-	5,425,102	5,425,102					
Health	-	9,485,692	9,485,692					
Social actions	6,734,440	57,040,099	63,774,539					
FIA / AI6% / Donations	6,734,440	5,527,301	-					
Smart Energy Program	-	51,512,799	-					
Total	14,173,051	91,615,065	105,788,116					

Origin of social investment funds



Areas of social investment



ENVIRONMENT

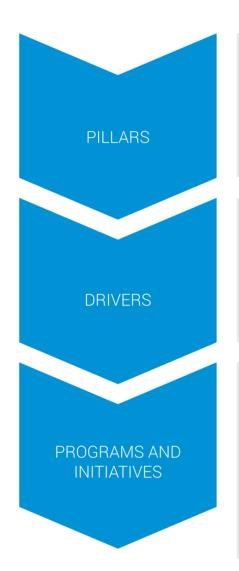
ENVIRONMENTAL STRATEGY

Cemig's environmental strategy seeks to balance development, environmental protection, preservation of biodiversity, rational use of natural resources, and compliance with environmental legislation, with the Business Mission and Vision and the Company's Strategic Planning. In its formulation, current and future risks and opportunities, challenges, medium- and long-term scenarios and the expectations of the public with whom Cemig interacts are considered. Cemig's Environmental and Biodiversity policies, Climate Change Commitment and also internal procedures orient this entire process. These documents were prepared to highlight the alignment of the Company's planning and strategic management with the sharing

of value with employees and with society in regions where it operates.

The Socio-Environmental Adaptation Program is multiannual and takes a cross-sectional approach throughout Cemig. It is the tool that details corporate strategy at a tactical level, in which the strategic guiding points are established. Through a prioritization matrix, the operation of the strategy is driven based on definition of programs and initiatives with their respective responsibilities, actions, goals, objectives, indicators and allocation of resources — comprising topics such as: Biodiversity, Water and Climate Change. The goals relative to these and other topics are shown under the item Strategy in this report.

The involvement of Cemig's many stakeholders through activities networks and the building of partnerships to help prepare and implement all programs is considered to be of fundamental importance. The environmental strategy, and its tactical and operational implementation, are presented below.



- Reinforce Cemig's actuation in socioenvironmental questions
- Minimize the environmental risk, avoiding fines, challenges and lawsuits
- Strengthen the image of a sustainable Company
- Preparing Cemig for future environmental issues
- Conserving the fish population
- Appropriate waste management
- Appropriate vegetation management
- Climate change management
- Water management
- The Peixe Vivo ("Fish Alive") Program
- Tree Management Program
- Management of corporate goals to reduce intensity of greenhouse gas emissions, water and electricity consumption
- Carbon risk assessment in new enterprises
- Relationship with the community and environmental bodies
- Maintenance of Environmental Management Systems
- Strengthening of reverse logistics
- Reservoirs management

The Environmental Compliance Committee, composed of representatives of Cemig's departments, periodically monitors the implementation of the Socio-Environmental Adaptation Program.

ENVIRONMENTAL MANAGEMENT

The Environmental Management System – SGA permits adoption of best practices for minimizing environmental risks and optimizing operating costs. Acting preventively, it aims to minimize potential environmental impacts, reduce environmental incidents, prepare employees appropriately for emergency response, and achieve greater assertiveness in conducting the environmental strategy and fulfilling commitments to the appropriate authorities.

Certification of the Environmental Management System by the NBR ISO 14001 is only possible for areas that have an environmental license. Because many facilities were built before the current environmental legislation, although they had good environmental management practices, they were prevented from being certified, and are thus involved in the corrective licensing process with the environmental agencies. In response, Cemig developed SGA Level 1 as a step towards ISO 14001 certification. In fact, over time, the facilities that were obtaining environmental permits succeeded,

after the first external audit, in being recommended for certification through ISO 14001, demonstrating the strictness of the SGA Level 1 practice.

designed on the basis of the principles of NBR ISO 14001:2004, the areas now operate in a controlled manner that is focused on compliance with legal requirements for environmental management. To ensure control, both systems are verified by independent audits carried out by a certification body accredited by Inmetro (the Brazilian National Metrics, Quality and Technology Institute).

Regardless of certification of the Environmental Management System, 100% of Cemig's activities must obey the minimum requirements of environmental suitability, which are governed by internal procedures, and are periodically audited by the Company's Internal Auditors. At the end of 2014, this procedure was revised, with training being scheduled for 2015.

The table below presents data on the coverage of Cemiq's Environmental Management System, ensuring 100% coverage of energy generated, transmitted and distributed to consumers:

CEMIG'S ENVIRONMENTAL MANAGEMENT SYSTEM: PLAN COVERAGE								
ACTIVITY	ISO 14001	SGA LEVEL 1	MINIMUM REQUIREMENTS ⁴					
Generation ¹	52%	46%	2%					
Transmission ²	56%	44%	0%					
Distribution ³	12%	7%	81%					

¹ Percentages related to total MW generated.

As well as the activities described above, the following corporate support areas are also certified by ISO 14001: Asset and Industrial Security; and Corporate Education and Knowledge Management, the scope of which includes the UniverCemig Campus at the Corporate University in Sete Lagoas City.

Environmental compliance

Cemig continues to work for completion of full environmental recognition procedures for all the Company's projects. Some 75.3% of Cemig GT's projects are duly licensed, and 24.7% are currently in the process of obtaining their respective environmental permits. At Cemig D, 71.4% of its projects are licensed, and 28.6% are undergoing the licensing process.

The facilities that are in the licensing process were built prior to the licensing legislation and are therefore in the corrective licensing process. It should be noted that Cemig promptly fulfilled all legal and regulatory requirements, and is waiting for these licenses to be issued.

Risks related to the environmental licensing process are described in the Reference Form:

http://cemig.infoinvest.com.br/ptb/11474/FRE_CemigH_2014_11.11.2014_small.pdf

- and in items 7.5 and 4.12 of Form 20-F:

http://cemig.infoinvest.com.br/enu/11366/20F2013_ing.pdf

Cemig was served with 29 notices of environmental infringements in 2014. However, these have not resulted in payment of

² Percentages related to total length of GT transmission lines.

³ Percentages related to number of consumers

⁴ The Minimum Requirements only exist where the SGA based on ISO 14001 or Level 1 has not been implemented.

Funds Invested

As of this report, Cemig no longer will inform the environmental investments in new projects, because IFRS 11 accounting practices have been adopted and that only consolidates information from wholly owned subsidiaries.

31 E

In 2014, Cemig invested approximately R\$ 52.8 million for environment purposes. The funds were used for waste management - R\$ 1.1 million, R&D projects - R\$ 11.7 million and the remaining R\$ 40 million was spent on compliance with environmental conditions, and environmental improvements. The Environmental Adaptation Committee, as mentioned in the Environmental Strategy section, periodically reviews the prioritization and allocation of these resources.

The environmental investments were subdivided into capital investments, expenses and R&D projects as shown in the following table:

FUNDS INVESTED IN THE ENVIRONMENT (R\$)										
	2011	2012	2013	2014						
Capital investments	10,970,000	16,960,000	6,579,000	3,872,000						
Total expenses	36,820,000	35,810,000	35,779,958	37,219,780						
P&D	5,579,625	6,663,207	10,017,000	11,746,000						

Materials

I Z Materials from non-renewable sources and greater intensity of use and operational significance consumed by Cemig and the respective quantities consumed are described in the following table. There was a slight reduction in the Company's total consumption of materials. This change is justified by the fact that 2014 was the last year of the Aneel tariff cycle, and that during the year projects were brought forward due to the Soccer World Cup. Moreover, also in the year responsibility for street lighting was transferred to the municipalities, following a change in legislation.

YEAR	DISTRIBUTION TRANSFORMERS (units)	CONCRETE POLES (units)	CABLES (m)	CABLES (kg)	METERS (unit)	STREET LIGHTING - LAMPS, RELAYS, BALLASTS, ARMS, OUTLETS, CORDAGE, IGNITORS, ETC. (unit)
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
2012	13,393	49,001	11,915,226	2,606,570	548,993	744,091
2013	14,209	52,243	10,795,817	2,684,791	843,185	734,429
2014	11,938	38,598	8,901,101	1,453,548	480,704	698,406

Waste

23 EN2

Reverse logistics and final disposal of waste are the responsibility of a certified section in Level 1 of the Environmental Management System, which receives waste that has been duly identified, separated and packed by the areas that generated it. From January to December 2014, approximately 52,600 tons of industrial waste was disposed of in an environmentally appropriate manner: 99.7% was sold, recycled or regenerated and 0.3% co-processed or incinerated.

The disposed waste consists mainly of cables and wires, transformer scrap, scrap metal, scrapped meters, poles, cross-arms, wood shavings and residue. The sale of 52,300 tons of such waste generated R\$ 9 million, an increase of approximately 1%

over the previous year's revenues.

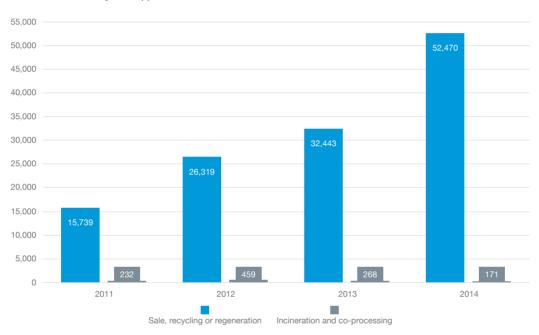
In 2014, R\$ 312,000 was spent to dispose of 243 tons of solid waste impregnated with oil, light bulb shards, solvents and IPEs. This represented a decrease of 33.9% over the previous year, a result of less waste impregnated with oil and broken bulb debris.

Of total oil waste disposed of, the Company regenerated and reused 114 tons of insulating oil. This measure, besides offering environmental benefits such as non-processing of contaminated waste, enabled Cemig to save some R\$ 940,000 in oil acquisition expenditure alone, without taking into account waste disposal costs.

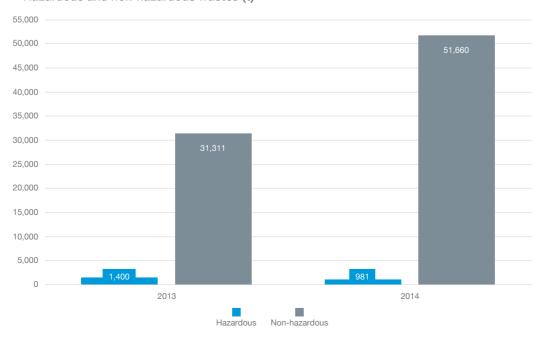
The amount of oil-permeated waste decreased 38.1% from 2013, the result of better control of equipment maintenance activities, which directly contributed to reducing disposal costs by R\$ 48,800.

There were no significant spills or leakages in 2014.

Final waste disposal (t)



Hazardous and non-hazardous wastes (t)



Polychlorinated biphenyls: used as an insulator in electrical equipment. See:http://www.mma.gov.br/port/conama/processos/30BB387D/GuiaPCB_VersaoFinal2.pdf.

were

sent for disposal. Electrical equipment contaminated with PCBs, when taken out of operation, will be sent for decontamination, or incinerated through a contract with a company licensed to perform that service, in 2015.

ENERGY

The following table presents Cemig's energy consumption, by type.

	TOTAL ENERGY CONSUMPTION (GIGAJOULE - GJ)											
YEAR	ELECTRICITY	CHANGE FROM PREVIOUS YEAR (%)	FLEET FUEL, EMERGENCY GENERATORS, EQUIPMENT AND MACHINERY	CHANGE FROM PREVIOUS YEAR (%)	THERMAL PLANT FUEL	CHANGE FROM PREVIOUS YEAR (%)	TOTAL	CHANGE FROM PREVIOUS YEAR (%)				
2010	167,735	+1.64	219,146	-6.35	291,481	-64.5	678,362	-44.4				
2011	168,740	+0.60	202,931	-7.4	101,315	-65.24	472,986	-30.27				
2012	159,345	-5.57	183,195	-9.72	545,986	+438.9	888,526	+87.85				
2013	157,487	-1.17	171,896	-6.17	1,923,927	+252.37	2,253,310	+153.6				
2014	158,993	+0.96	146,568	-14.73	8,044,681	+318.14	8,350,242	+270.58				

Total energy consumption rose by 270.58%, mainly due to the *Igarapé* thermoelectric plant's fuel consumption, because the facility generated power throughout 2014 – in 2013 it had been in a phase of equipment commissioning. The energy intensity of the *Igarapé* plant was 0.06569; that is, 0.06569 MWh was consumed for each MWh of energy generated. There was also a significant increase in fuel consumption at the *Barreiro* thermoelectric plant, due to the high level of electricity it generated.

Despite the small increase in electricity consumption in 2014, Cemig's fuel consumption reduction goal was met, down 5.8% compared to 2011 – the target base year.

For more information about Cemig's Objectives and Targets, please click here.

Fuel consumption was reduced by 14.73%,

To calculate this percentage, the oil consumption by the thermal plant and the diesel s-10 by the fleet were not considered.

mainly

due to Cemig's fleet management practices. Since 2010, Cemig's fleet replacement program has optimized vehicle supervision practices. This represented savings of approximately R\$ 2.1 million. Fleet optimization in this period was possible because all vehicles replaced since 2010 come with an Electronic Management System installed. The tool permitted continuous monitoring of vehicle operations from 2010 to 2014, leading to a reduction of 584 units.

The table below presents Cemig's different electricity generation sources, by installed capacity and net capacity. It should be noted that 97.2% of the power generated comes from sources that do not emit greenhouse gases.

SOURCE	CEMIG'S INSTALLED CAPACITY - MW				NET GENERATION - MWh			
	2013	%	2014	%	2013	%	2014	%
Hydraulic	6,639,033	96.6	6,949,791	96.8	26,635,887	97.6	25,110,028	95.4
Thermal – fuel oil	131,000	1.9	131,000	1.8	167,506	0.6	742,967	2.8
Thermal – process gases	52,900	0.8	52,900	0.7	312,665	1.1	327,339	1.2
Wind	48,804	0.7	48,804	0.7	183,412	0.7	142,909	0.5
TOTAL	6,871,737	100	7,182,495	100	27,299,470	100	26,323,243	100

WATER DMA

Cemig's generating capacity is predominantly hydroelectric. In the last 15 years, 43 projects totaling 1,800 MW were added. Currently, 79 plants, with 7,330 MW, represent 95.53% of the Company's installed capacity; they manage more than 3,500 km² of reservoirs.

Since water is the main raw material for Cemig's electricity production – and a resource that is sensitive to changes in climate, vulnerable to the consequences of exploitation of other natural resources, seriously impacted by human activities and subject to the regulatory environment – the Company takes water management and conservation issues very seriously.

The National Electricity System Operator (ONS) has the responsibility for deciding on dispatching of the hydro and thermal generation plants connected to Brazil's national grid. The ONS is a private-law, non-profit, civil association established on August 26, 1998 by Law No. 9648/98, as amended by Law No. 10848/04 and regulated by Decree No. 5081/04. It is responsible for coordinating and controlling the operation of the generation and electricity transmission facilities in the Grid, under the supervision and regulation of the National Electricity Agency, Aneel.

Cemig's operation of reservoirs for generation of hydroelectric power essentially requires consideration of the multiple uses of water by other users in a river basin; and this in turn, leads to the need to take into account a range of constraints — environmental, safety, irrigation, human consumption, waterways and bridges, among others — which Cemig rigorously respects. In periods of severe drought, as experienced in 2013 and 2014, monitoring and prediction of reservoir levels, and constant dialogue with government, civil society and users, have been central to ensuring continuity for both power generation and also other uses of this vital resource.

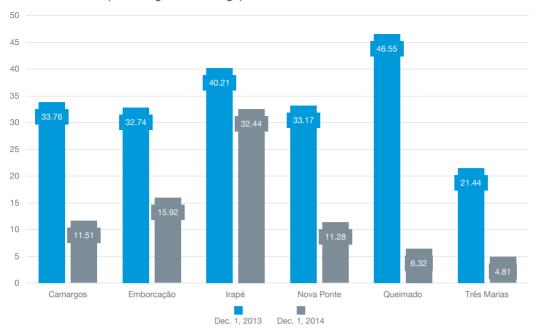
Três Marias - Managing water's many uses

For example, in the last three rainy seasons rainfall was up to 60% less than expected in the São Francisco River Basin, where the *Três Marias* hydro plant is located. Cemig met with many of the basin's stakeholders to arrange joint actions to safeguard the multiple uses of the plant's reservoir. As a result, even with the depletion of the reservoir, the Três Marias plant was able to contribute to the continuous supply of water to the city of Pirapora, and also to other users downstream, such as the *Jaíba Project*, an important agricultural center in the North of Minas Gerais state. This integrated action involved the following partners: the National Water Agency (ANA), the National Electricity System Operator (ONS), the São Francisco Valley Development Company (Codevasf), the Pirapora and Jaíba Project irrigation associations, the Federal and the State Committees for the São Francisco River Basin, and municipalities located downstream on the São Francisco river and surrounding the Três Marias lake.

With the use of Cemig's reservoir management measures – such as downstream environmental tests, setting of new machinery operating levels, simulations of future reservoir storage quantities and water capture point levels – it was possible to avoid depletion of the reservoir's stock of water. The plant's water flow control policies, discussed and approved by stakeholders during the 2014 dry season, were reviewed during the 2014–2015 wet season, aiming to replenish the lake and prepare for scarcities in the 2015 dry season.

The following chart gives data on water storage at Cemig's main reservoirs on December 1, 2014, compared to the same period of 2013 – it shows the lower availability of water in 2014, which led to significant depletion of the storage inventory of these reservoirs.

Usable volume (% of long-term average)



Even though its hydroelectric generation process per se does not consume water, Cemig is a major user of this resource and, therefore, actively participates in joint decision-making bodies and forums, monitoring and proposing decisions for the electricity sector, and helping reconcile the multiple uses of water in the river basins. It participates in all water resource forums in its areas, such as the National and State Water Resource Councils, River Basin Committees, Technical Chambers and Working Groups. With its efforts focused on Minas Gerais, Cemig is a participant in 20 state and five federal River Basin Committees. It also is a member of the Brazilian Electricity Generation Companies' Association (Abrage), and in 2014 served as coordinator of the Water Resources Working Group (GTRH). For more details on Cemig's participation in institutional organizations, please click here.

Cemig periodically reviews water management indicators, which demonstrate the Company is moving toward meeting its goals and makes it possible to intervene when necessary. Of particular note is the Plant Energy Planning Efficiency Ratio (IEPE), which measures the efficiency of the energy operations of Cemig's hydroelectric plants, comparing actual power generation with optimum generation levels. It tracks observed flows, maintenance of generating units and the resolution of operational constraints. This indicator is aligned with the Increase operational efficiency strategic objective in Cemig's corporate business strategy map. A higher result means water use planning for power generation is better. In 2014, because there were practically no leakages in the plants because of the low water flows during the period, the IEPE result exceeded the target of 91%, reaching 94%.

Non-Compliance with Operating Restrictions - NARO is another indicator applied, which reflects the number of failures to comply with operating constraints in the operation of Cemig's reservoirs: these include environmental, electrical, generating unit availability, flood control and minimum level aspects. This indicator is aligned with the corporate map of the Generation business in terms of ensuring reliability of operations, and has a direct impact on results, since failure to resolve operational constraints carries risks to the Company's image as well as costs associated with any damages to society or regulatory fines. This dimensionless indicator monitors the type of restriction violated: for example, environmental, flood control, electrical and those related to the generating units. In 2014, Cemig remained within the stipulated target.

To fully ensure regularity in relation to the various uses of water, grants of generation-related concessions are linked to technical studies of the project. These take into account the permissible flow, reservoir characteristics and electrical bus requirements. Cemig manages 220 water resource use processes, which are related to all of the Company's activities, of which 39 are processes of registry for minimal use and 181 are grant processes.

Hydrometeorological monitoring

Cemig conducts initiatives enabling accurate management of potential impacts to its business resulting from water availability issues. It preventively invests in practices that put it in a more secure situation in relation to various possible scenarios. Among the up-to-date techniques and equipment used are the Storm Location System (SLT), the Hydrometeorological Telemetry and Monitoring System (STH), hydrologic simulation mathematical models, and weather and climate forecasting tools.

Cemig currently operates a hydrometeorological network of 241 monitoring points, with 95 for measuring rain, 68 for river flow rates, 37 accompanying reservoir levels, and 41 weather stations that monitor rainfall, temperature, humidity, wind speed and direction, solar radiation and atmospheric pressure. These stations are distributed in strategic locations in the states of Minas Gerais, Goiás and Espírito Santo and the data is received in real time at the Company's Belo Horizonte headquarters.

The radar equipment acquired by the Company in 2011 as the primary tool for improving the accuracy of its hydrological forecasts enables higher levels of operational safety at its hydroelectric plants and for the general public. It is also of great strategic importance to the control and operation of hydroelectric reservoirs. Through early information about the direction and intensity of rainstorms, it is possible to estimate the amount of water that will reach a reservoir, and thus adjust operations to minimize the effects of floods on populations and on the plant itself. Further, the Company may issue warnings to Civil Defense authorities about storms that could have serious consequences for the population, making it possible to take preventive action. Click here for more details.

Prevention and preparation for emergency situations

EU21

The security of Cemig's dams is grounded on best Brazilian and international practices at all stages of the process. The security program involves field procedure inspections, collection and analysis of instrumentation data, planning and monitoring of maintenance services, analysis of results and classification of structures. Inspection frequency is based on structure classification. Each dam's vulnerabilities are continuously and automatically calculated and monitored by the Dam Control and Safety System ('Inspector'). Developed through an R&D project, Inspector incorporates deterioration georeferencing tools, enabling comprehensive analysis of each dam's behavior.

Both Cemig's own professionals and a multidisciplinary team of recognized outside consultants regularly conduct safety reviews. These reviews go carefully into all matters relating to the safety of the dams, which are carefully investigated by highly-qualified specialists.

Cemig is the pioneer in Brazil in the preparation of emergency plans for potential dam burst scenarios. Its studies on the subject were undertaken in 2003 and specific emergency plans for each dam are currently available. In-company training drills for these Emergency Action Plans (PAEs) are conducted, testing contact information, communications, resources and the emergency response decision-making process between the various individuals involved.

Emergency actions external to the Company, focused on evacuation of people from risk areas, are regarded as the responsibility of the public protection and civil defense authorities. In this case, Cemig's job is to communicate effectively with these institutions and provide support within its areas of competence and attributions.

Risk analysis

Based on its Risk Management System, Cemig analyzes scenarios and determines the degree of financial exposure needed to support the Company's strategic decisions and to establish control measures. Currently, the following risks have been mapped: silting up and rupture of reservoirs; weather forecasting errors; loss of SHP physical offtake guarantee levels due to

decreased water availability; regulatory and price structure changes; and potential conflicts with other stakeholders (which might result either from prolonged drought or from floods due to excessive rainfall). For more details on this subject, please access:

http://cemig.infoinvest.com.br/enu/11366/20F2013_ing.pdf

http://www.cemig.com.br/en-us/Company_and_Future/Sustainability/Documents/CDP2014_english.pdf

Water quality monitoring

Designed to minimize risks associated with the quality of reservoir water, and assessing the impact of its activities, Cemig regularly monitors a network covering Minas Gerais' major river basins (43 reservoirs) and more than 200 stations collecting physical, chemical and biological data. All data generated are stored in the *Siságua* database, part of the database of the Minas Water Management Institute (IGAM), with a view to standardizing information and making it available to the public. Access: http://www2.cemig.com.br/sag/

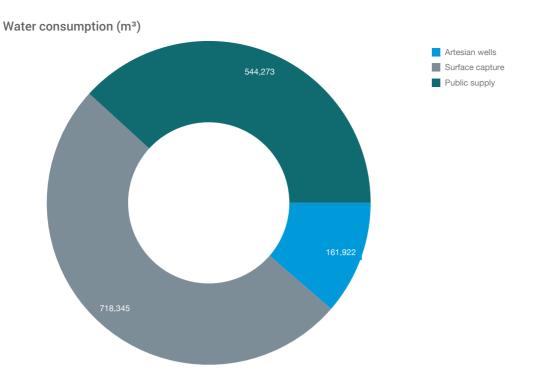
Results from nine specific parameters are used to calculate the Water Quality Index (WQI), which indicates the degree of contamination of water from rivers and reservoirs by organic materials, nutrients and solids, which are usually indicators of pollution associated with domestic waste. The table below shows the WQI results in the second half of 2014 for some of Cemig's plants:

PLANT	BODY OF WATER	IQA		JALITY EVEL	BRACKET
Cajuru	Pará	88	Ex	cellent	90 < IQA < 100
Jaguara	Grande	88.83		Good	70 < IQA < 90
Machado Mineiro	Pardo	81	A	verage	50 < IQA < 70
São Simão	Paranaíba	86.93		Poor	25 < IQA < 50
Volta Grande	Grande	89.66	Ve	ry Poor	0 < IQA < 25

To classify reservoirs by degrees of water quality degradation, the Paraná Environmental Institute has developed a Reservoir Water Quality Index (IQAR). Designed to understand the main trophic, morphometric and hydrological characteristics of its reservoirs and their trends over time, Cemig has begun calculation of the IQAR index for the reservoir of the *Volta Grande* plant, as a R&D project. The results for the month of July 2014 classified this body of water as 'little degraded' – showing low depletion of dissolved oxygen, high water transparency, low density of cyanobacteria, small amounts of organic and inorganic nutrients, and low water standing time.

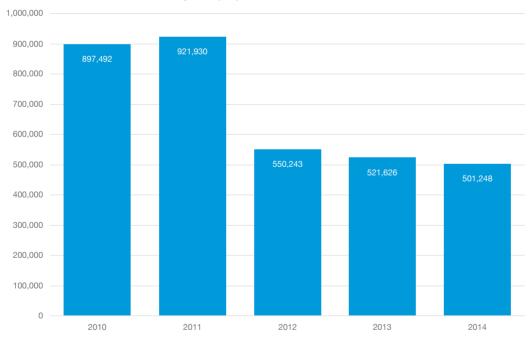
Consumption of water and effluent

Cemig's total water consumption in 2014 was 1,424,540 m³, according to the details in the next chart.



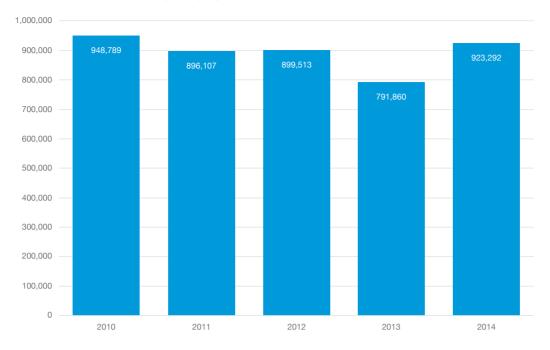
Cemig's total administrative water consumption was 501,248 m³, including public water supply, surface water and wells, as shown in the chart below. Cemig has reduced its administrative water consumption by 45.6% over the last four years.

Administrative Water Consumption (m³)



Consumption of industrial water used for cooling of thermal plants totaled 923,292 m^3 – an increase of 16.6% compared to 2013, reflecting mainly the fact that the *lgarapé* plant was dispatched for nearly the entire year of 2014.

Industrial Water Consumption (m³)



In spite of the increase, the goal of reducing total water consumption was achieved: consumption in 2014 was 22% below that of 2011.

For more information about Cemiq's Objectives and Targets, please click here.

The Company's thermal plants do not generate effluents because the production processes at the *Barreiro* and *Ipatinga* thermal plants recirculate used water; and at *Igarapé* water is returned to the river after use. The water they use is sourced both from the river surface and also from the public supply.

Effluents generated in administrative units are disposed of in public sewage systems, or controlled septic tanks, and do not directly affect waterways. The industrial activity of power generation activity *per se* does not consume water, so is not accounted in the figure for Cemig's total consumption. In 2014, 400,998 m³ of sanitary effluents were generated.

BIODIVERSITY DMA

With a predominantly renewable matrix of sources, Cemig and biodiversity are intrinsically interlaced. Its operating area contains two terrestrial hotspots: Highly threatened areas and of great biological significance for the entire planet. the Cerrado and the Atlantic Forest; and in terms of aquatic ecosystems, Cemig is responsible for managing more than 3,500 km² of fresh water in its reservoirs.

The Company operates in a number of different fields of business. For each project, it conducts special studies to evaluate and establish environmental programs to control, mitigate and compensate negative impacts, and maximize positive ones — in a synergy between research, innovation and practical solutions which, coupled with Cemig's expertise, is able to add value to society and to the biomes in which it operates.

The main environmental impacts of Cemig's businesses in these environments are on (i) fish communities, which inhabit waterways in which the Company is operating projects; and (ii) trees, which interact with transmission and distribution lines. Cemig's Biodiversity Policy formalizes the importance of these aspects.

Due to the large number of power plants that Cemig manages, the impacts on fish populations and, consequently, on economic activity related to fishing where these projects are located, is great, and raises substantial environmental issues. Cemig thus devotes significant attention and control to those impacts.

Similarly, being Brazil's largest electricity distributor in total length of lines and networks, Cemig understands how seriously vegetation can interfere with electricity lines and, thus, prioritizes action to mitigate the risk of power outages through sustainable vegetation management practices.

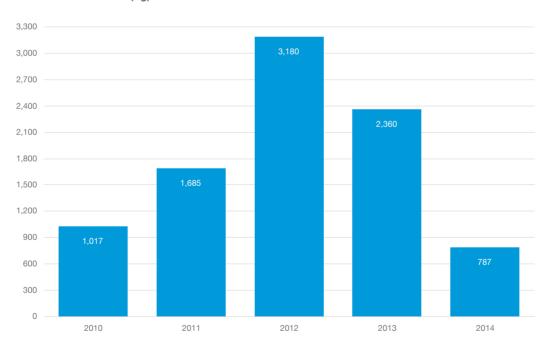
Fish Care

The main environmental program linked to the strategic environmental aim Manage impacts on biodiversity, and its respective guideline Preserve fish populations, the *Peixe Vivo* ('Fish Alive') Program operates on three fronts: fish and watershed conservation programs, production of scientific knowledge to support these programs, and the promotion of community involvement in the planned activities.

To measure the impact of its power projects on fish life, the Company uses an internal indicator that reflects the efficiency of protective measures for hydroelectric plant maintenance and operation. The Affected Biomass indicator measures the amount of fish (in kg) impacted by plant maintenance and operations. Since its implementation in 2007, the actions developed by the program enabled a 77% reduction in the total Affected Biomass at the facilities, even making it possible to avoid power generation interruptions or potential fines due to environmental damage. In the years 2008–2014, there was a single penalty in 2012, amounting to R\$ 27,500.55. For more details, please see Form 20-F, page 49.

In 2014, the Affected Biomass indicator was 787 kg, whereas due to these impacts the internal limit inherent to the process is 1,882 kg. This represents a decrease of 66.7% compared to 2013, as illustrated in the chart below.

Affected Biomass (kg)



For more information, please access Cemig's Objectives and Targets here.

EN12

In addition to encouraging scientific research and knowledge about Brazilian fish life, the *Fish Alive* Program promotes biological diversity and seeks to conserve natural environments, important targets established by the National Biodiversity Policy. The adoption of scientific criteria for decision-making purposes, the establishment of partnerships with other institutions and modification of practices based on the information gathered are the principles that guide the *Fish Alive* program.

Moreover, disclosure of the information is of great importance to society, ensuring transparency of the program and creating opportunities for the community to express its concerns and offer suggestions.

In 2014, research by the Fish Alive program was presented at important meetings, including with the Secretary of State for the Environment and Sustainable Development and other power utilities. In addition, the First Symposium on the Results of the Fish Alive Program was organized, during which the findings on the risk of fish deaths at Cemig's plants were presented to employees, defining best practices to mitigate direct impacts of power plants on fish life. The Program is currently developing 14 scientific projects in partnership with research institutions, involving more than 200 students and researchers.

These partnerships have resulted in more than 240 technical paper publications to date, and the program has been referenced nationally and internationally for the fish conservation measures it has put into practice and for the dialogue it has generated with the community in a number of countries and states. Along with community involvement, this academic achievement has helped create more efficient conservation programs and practices, leading to coexistence of power projects and fish in Brazilian rivers. In 2014, it placed among the top 10 for the 12th Benchmarking Brazil Awards in 2014, and, for its best fish conservation practices, was winner in the Improved Fauna category in the fifth edition of the Hugo Werneck Prize competition.

A total of R\$ 6,052,155 was invested in the Fish Alive Program in 2014, of which R\$ 1,834,969 was earmarked for research and development projects.

For more information, please see: http://www.cemig.com.br/en-us/Company_and_Future/Sustainability/Programs/environmental_programs/peixe_vivo/Pages/default.aspx

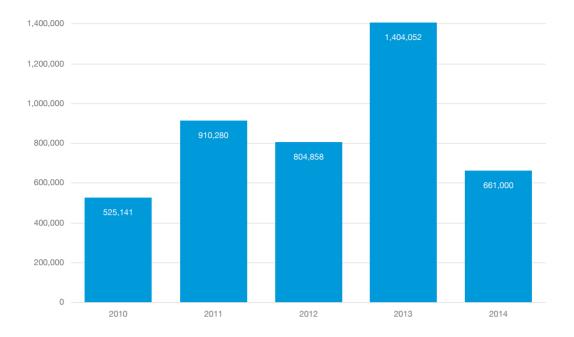
The Cemig Stocking Program includes fish introduction activities at three of its own stations: *Volta Grande, Itutinga* and *Machado Mineiro*, and two partnership stations (*Codevasf, Gorutuba*, and *Três Marias*). In 2014, the Company produced about 661,000 fingerlings, a reduction of approximately 53% compared to 2013, totaling 14 tons. Some 72 fish stocking operations were conducted in reservoirs and rivers basins where Cemig has projects, with 2,591 people from local communities in 42 Minas Gerais municipalities participating. The main reason for the reduction in fingerling production was occurrences of the golden mussel (*Limnoperna fortunei*) mollusk

The golden mussel is a bivalve mollusk originating in Asia. Due to its ability to reproduce and spread quickly, and having virtually no predators in the Brazilian fauna, these mussels propagate rapidly, and so are considered an invading species. The following can be mentioned as damage caused by the golden mussel: loss of aquatic vegetation; occupation of space and competition for food with native mollusks; damage to fish communities, because the decline of the mollusks decreases the fish food supply; the clogging of water and mains, sewer and irrigation pipes; the clogging of water intake systems for power generation purposes, leading to frequent interruptions for cleaning and raising the cost of production; damage to navigation, prejudicing buoys and piers, engine structures and vessels.

in the

 $reservoir\ of\ the\ \textit{Volta}\ \textit{Grande}\ \text{hydroelectric}\ plant,\ which\ made\ fish\ stocking\ there\ unfeasible.$

Number of Fingerlings (thousands)



The following are the environmental programs implemented and/or supported by the Fish Alive team.

INDICATORS OF PEIXE V	IVO (<i>FISH ALIVE)</i> PROGRAM	2014
Fish conservation programs and River basin	Investment in fish research and management projects (R\$)	6,052,155
management	Biomass Affected (kg) ¹	787
	Starting in Science (students)	27
	Master's degree (students)	17
Research	Doctorate (students)	14
nesearch	Researchers (post doctorate, technical support $ \text{and researchers})^2 $	74
	Scientific production	59
Delegio della codale alconomia.	Versol Project (students)	202
Relationship with the community	Participants in fish stocking	2,591

¹ Weight of dead fish in kg resulting from plant maintenance and operations.

At the *Santo Antônio* hydroelectric plant, an important result of the effort to conserve fish populations was the rescue operations carried out during construction of plant. The technique developed to prevent mass fish deaths on the site made it possible to rescue and release fish in about 6 minutes, avoiding any environmental damage. In 2014 alone, the following operations were carried out:

- 44 rescues of fish in turbines, totaling 9,343 kg.
- 6 rescues in spillways (Main and Supplementary), totaling 13,006 kg of fish.
- 2 rescues in the Fish Transposition System, totaling 202,900 kg removed from the canal and released in the Madeira River.

Highlights also include publication of the book *Fish of the Madeira River*, which was the result of work by hundreds of scientists. It presents some ichthyologic rarities and more than 40 specimens new to scientific investigation. The book is a contribution to academic and scientific knowledge as well as an inspiration to young scientists.

Because of the concern for fish species at risk that are sold to the aquarium market, in 2014 Norte Energia – which is building the *Belo Monte* Hydroelectric Plant – succeeded in developing a protocol for raising the acari-zebra ornamental fish. The acari-zebra is on the ICMBio's list of species banned from collection for commercial use, due to predatory exploitation over

² The data of "Researchers 2014" is composed by post doctorate, technical support and researchers.

Vegetation management

The Company invests in the professional development of direct and indirect employees, and development of work methods and planning and management tools – to improve the interaction of the electricity system with urban and rural vegetation, and to help maintain environmental quality in the communities where it operates.

Cemig currently employs outside specialists exclusively dedicated to planning and executing the pruning process. The results achieved have been a lower number of power outages caused by trees, and less need for future intensive pruning.

This table shows the reduction of power outages caused by trees:

OUTAGES CAUSED BY TREE ACCIDENTS WITHIN CEMIG'S DISTRIBUTION SYSTEM					
2010	32,239				
2011	33,541				
2012	32,189				
2013	31,337				
2014	29,163				

This indicator declined further in 2014, confirming the effectiveness of the procedures in place and reflecting Cemig's efforts toward preventive maintenance and improvements in distribution networks to guard against environmental threats, including adverse weather such as severe winds and storms that could knock down trees. This reduction also saves the Company expenses on financial compensation to consumers for shortfalls from not complying with supply continuity levels (DIC, FIC, DMIC and DICRI), which can be due to falling trees. Also contributing to the improved results were innumerable actions under the Trees and Networks Management Program ("Premiar"), established in March 2009.

Cemig continued to partner with the city of Belo Horizonte to take inventory of the city's urban trees, aiming to develop a planning and maintenance tool for public trees that meets the needs of both institutions. The goal is to complete the inventory and deploy it as a routine planning tool, creating a work schedule by 2015. Some 246,529 trees were surveyed in 2014, and another 200,000 remaining for completion of the project.

The inventory work consists of describing the physical state of every tree in the city located on public streets or fronting urban real estate, involving 57 attributes, which are posted to a geo-referenced database – making it possible to record the number, type, location and heath of each one of the city's trees. And the project creates a planning tool for control of the maintenance of the trees, optimizing the available budget. In the year, 242 trees were planted and 58 trees considered unsafe were removed.

For more information about Cemig's Objectives and Targets, please click here.

As a forum for discussing best tress care practices, and enhancing the work of professionals involved in urban planning, distribution of electric energy and forestation measures, Cemig organizes the Urban Forestry Circuit, an event that visits various cities in Minas Gerais. Four events were held in 2014 – in Araxá, Diamantina, Viçosa and Belo Horizonte – the latter with decisive participation by the Regional Engineering and Agronomy Council of (CREA/MG). About 500 people attended the meetings, from the scientific community, local governments, non-governmental organizations and other interested stakeholders, and a wide range of subjects were addressed, including planning and maintenance of urban forests, tree risk assessment and professional tree care practice. Another event in Belo Horizonte was a seminar, *Urban Forestry in BH – Public Health, Quality of the Environment and of Life,* which dealt with the role of various actors in the planning process, especially the contributions from the municipal legislature.

Assessment of trees at risk is also the subject of a Research and Development Project currently in progress: creation of a Mobile Laboratory equipped with tree analysis instrumentation. This would evaluate tress consistently and comprehensively,

In 2014 an R&D project on development of Integrated Vegetation Management methodology for transmission line pathways was completed, indicated a significant reduction of costs of up to 40% from introducing of a new method of vegetation control. The approach involves replanting with natural but slow-growing species, which also deter return of the taller species, to reduce the cost of control – requiring fewer man-hours, and removal only occasional examples of species not covered in the original plan. Cemig plans to see this method applied as standard 2015.

For more information about Cemig's Objectives and Targets, please click here.

A total of 13,515 tree seedlings were distributed in 2014 for urban use to 24 municipalities, donated by the Itutinga Forest Nursery. There were 33 requests for seedlings, of which 28 were fulfilled the same year. As well as producing urban tree seedlings for municipal government forest nursery service agreements, Cemig also produces native species seedlings for riparian forest replanting along the banks of its reservoirs, tributaries and springs, in partnership with local farmers.

For recovery of riparian forests around its reservoirs, Cemig produces and donates native species tree seedlings to farmers, non-governmental organizations, municipalities, schools, research institutions and companies operating in rural areas. Forty-two municipalities were benefited in Minas Gerais, involving 13 Cemig hydroelectric plants, in 2014, and reforestation was begun of a 40 ha area on the banks of the *São Simão* hydroelectric plant reservoir – in partnership with local landowners, meeting the target of 40 ha/year set for this reservoir. Cemig is also reforesting 38 hectares on the banks of the Rosal hydroelectric plant reservoir. After planting, reforestation areas are monitored and undergo maintenance for two years. To learn more about Environmentally Protected Areas, production of seeds and seedlings and other information about the importance of biodiversity for Cemig, click here.

Find out more about the R\$&D Project *Effectiveness and sustainability of riparian forests of the Volta Grande Reservoir in the conservation of ecological processes and biodiversity* at this link: http://prociliar.ufop.br

Use this link to access the Biodiversity Report published in 2014 – a materialization of Cemig's commitment to transparency for stakeholders through publication of its main biodiversity conservation activities.

CLIMATE CHANGE DMA

Cemig's climate change practices are in line with its business strategy, formalized since 2012 through a commitment entitled '10 Climate Initiatives' defining the Company's lines of action. The involvement of senior management and discussion of the most significant issues makes these practices especially effective. This commitment can be seen in Cemig's establishment of voluntary targets for reducing emissions, power consumption and energy losses — even though the Company has low GHG emissions.

Within this corporate vision, Cemig pays special attention to the development and consolidation of a predominantly renewable energy matrix. The increased stake in Renova Energia (currently the owner of the largest wind power complex in Latin America), and development of new technologies (especially solar power generation), have led to increase of clean energy sources into the Company's matrix and diversification of its businesses, directed to a low-carbon economy. For more information on Cemig's objectives and goals click here.

Cemig identifies potential risks and opportunities and seeks solutions to adapt to and mitigate possible effects that may impact its businesses. It therefore invests in practices that lead to greater safety regarding the multiple scenarios of probable risks related to climate change. For minimizing the physical climate change risks, the Company uses modern techniques and equipment. These include Weather Radar, Storm Location (SLT), and Telemetry and Hydrometeorological Monitoring (STH) systems, as well as several mathematical models for hydrological simulation, weather and climate forecasting. More information can be found in the Cemig's report under the CDP.

When considering acquisition of new assets, Cemig takes account of regulatory risks related to climate change, conducting due diligence evaluation of carbon risk to assess the possible financial impacts of increased GHG emissions, due to the possibility of having to cover the cost of emissions due to new regulations.

Cemig takes account of climate change factors in managing its value chain, working in partnership with its suppliers, who are its stakeholders. One of the initiatives being developed over the last two years is participation in the Value Chain Carbon Management Program, being developed and coordinated by the Brazilian Business Council for Sustainable Development (CEBDS) in partnership with consultants KPMG international and other large Brazilian companies. In 2012–2014, this program has raised suppliers' awareness about climate change and given them the tools and knowledge to conduct their own greenhouse gas emission inventories based on the GHG Protocol tool. For more information visit:

http://www.cemig.com.br/en-

us/Company_and_Future/Sustainability/Programs/climate_changes/Documents/CEBDS%20Gestao%20de%20Carbono_ING%202014.PE

A new phase of the CEBDS program, in partnership with Schneider Electric, will review and advise suppliers how to identify GHG reduction opportunities in their production processes, helping generate cost reductions.

At the other end of the value chain, Cemig also offers initiatives to electricity consumers. The *Smart Energy* Program aims to promote energy efficiency in low-income communities, non-profit institutions and public facilities that are consumers of Cemig's supply. And Cemig also has a wholly-owned subsidiary operating in energy efficiency, Efficientia, which since 2002 has been planning and installing energy efficiency projects in companies' facilities – mainly Cemig industrial clients.

See more details on Cemig's climate change initiatives at:

http://www.cemig.com.br/en-

us/Company_and_Future/Sustainability/Programs/climate_changes/Documents/DezIniciativasClimalNG.pdf

CDP Climate Change

Cemig has responded to the CDP questionnaire since 2007. The resulting report is a rigorous survey of risks and opportunities for the Company's business arising from climate change, and its own monitoring and control measures. Cemig sees the CDP as a management tool, in a context of increasing production of information and consistent carbon management initiatives.

In 2014 the CDP recognized Cemig as the leading company in Brazil in terms of excellence in transparency of information and business strategy in relation to climate change. It conducts its questionnaire every year. In 2014, when 52 large Brazilian companies answered the questionnaire, Cemig obtained the highest score in transparency – with 98 out of a total of 100 points.

This was the third consecutive year that Cemig has been recognized by the organization, and the first in which it obtained the top score in the category. The assessment takes into account the level of detail and the quality of responses, based on a set of criteria such as management of risks and opportunities, measurement results, and emissions management, as well as the Company's overall climate change strategy.

To access the CDP 2014 Report, use:

http://www.cemig.com.br/en-us/Company_and_Future/Sustainability/Documents/CDP2014_english.pdf

In 2014, Cemig published its Greenhouse Gas Emissions Inventory, verified by independent audit. The full document can be accessed at:

http://www.cemig.com.br/en-

us/Company_and_Future/Sustainability/Programs/climate_changes/Documents/Cemig_2013_greenhouse_gas.pdf

EMISSIONS

In 2014, Cemig's direct emissions totaled 617,717 tCO $_2$ e – and were 4.8% of the Company's total calculation of Greenhouse Gas (GHG) emissions. Scope 1 emissions were higher than in 2013 because the amount of time the Igarapé thermoelectric plant operated was significantly greater in 2014. Igarapé has installed capacity of 131 MW, and operates when required by the Brazilian Grid. In 2014, it operated for 6,541 hours – compared to 1,653 hours in 2013. This resulted in Igarapé's CO $_2$ emissions being 577,922 tCO $_2$ e in 2014 – compared to 130,985 tCO $_2$ e in 2013. The resulting final intensity of Cemig's direct emissions in 2014 was 0.023467 tCO $_2$ e/MWh, well below the emission factor for the whole grid, of 0.1355 tCO $_2$ e/MWh.

It should be noted that the dispatching decisions in Brazil are taken by the National Electricity System Operator (ONS), weekly, based on current and past volumes of hydroelectric and thermal generation, and after analyzing forecasts of future supply flows, expected growth in electricity consumption, and data on the pace of growth in supply (new plants and expansion). When hydrology is favorable and reservoir water storage levels are high, dispatching of thermal power plants is minimized, and hydroelectric generation is prioritized. When hydrology is unfavorable and storage levels are low, or, also, to increase security that there will be supply for the market, or if, for example, there is uncertainty about generation expansion programs, the ONS will tend to increase thermal generation. Hydroelectric generation can be reduced to raise levels of water storage in the flow-regulating reservoir system.

This list shows Cemig's Scope 1 greenhouse gas emission sources:

CEMIC	CCODE 1	ENTICOLONI	SOURCES
LEIVIII -	SUUPFI	FIVILSSIUN	SUUBLES

Corporate fleet - fuel consumption

Aircrafts and small boats consumption

Emergency generators

Fuel used in startup and operation of the thermoelectric plant by process gas - Barreiro plant

Fuel used by Igarapé thermoelectric plant

Machinery and equipment

SF₆ emissions from electrical equipment

Refrigeration and air-conditioning gas emissions

Fertilizers used in production of seedlings and plantings

Fuels used by forklifts and cranes

At Cemig's Scope 2, indirect emissions in 2014 were measured as $858,014\,\mathrm{tCO_2e}$, which represents 6.7% of the Company's total emissions. Of this total, 99.19% is attributed to energy losses in power transmission and distribution systems. Note that Scope 2 is strongly influenced by the emission factor attributed to the national grid, which was 41.08% higher in 2014, at $0.1355\,\mathrm{tCO_2e/MWh}$, compared to $0.0960\,\mathrm{tCO_2e/MWh}$ in 2013.

This list shows Cemig's Scope 2 greenhouse gas emission sources:

CEMIG - SCOPE 2 EMISSION SOURCES

Electricity consumption in administrative and operational units

Electricity technical losses in Transmission and Distribution systems

Cemig's largest sources of emissions are principally in Scope 3: emissions that derive from the Company's activities but occur in sources that it neither owns nor controls. The main source of emissions calculated in Scope 3 is electricity consumption by Cemig's end consumers. In 2014, the Company recorded a 5% increase in total sales, which generated a 48.15% increase in indirect emissions over 2013 – again highlighting the increase in the national grid's emission factor, used for the calculation of emissions.

The list of Cemig's Scope 3 emission sources is as follows:

CEMIG - SCOPE 3 EMISSION SOURCES

Outsourced transportation of materials, solid waste and equipment

Air travels

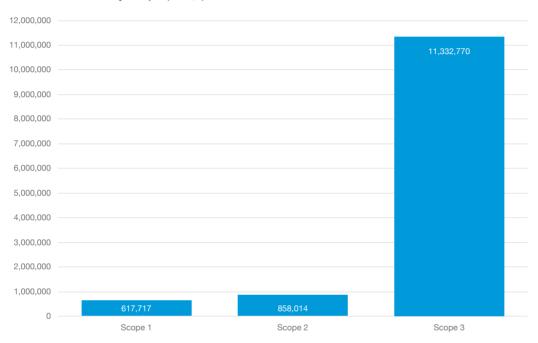
Gasoline, alcohol and diesel used by Distribution contractors

Electricity consumption by final consumers

Outsourced transportation of employees

The chart below represents Cemig's total direct and indirect greenhouse gas emissions in 2014.

Total emissions by scope (tCO₂e)



For more information about Cemig's GHG emissions, please see the emissions inventory by clicking this link

The emissions of sulfur dioxide (SO₂) and nitrogen oxides (NO_x) \cccsec

 SO_2 and NO_X are gases that cause acid rain. The SO_2 and NO_X values shown in the Total Emissions (t) table include emissions generated by vehicles.

come from the combustion of fuels by thermoelectric power plants and vehicles. The 228% increase in SO_2 emissions, and the 31% increase in NO_X emissions, from 2013, was mainly due to the high level of operation of the Igarapé thermal plant: it was dispatched during the entire year of 2014.

TOTAL EMISSIONS (t)					
YEAR	SO ₂	NO _x			
2010	421	78			
2011	475	109			
2012	551	150			
2013	962	187			
2014	3,049	259			

Clean Development Mechanism - CDM projects

PROJECT	STATUS	ESTIMATE OF ANNUAL REDUCTION tCO ₂ e	WED INFO
Guanhães: 4 SHPs, 44 MW	Registered	62,949	http://cdm.unfccc.int/Projects/DB/RINA1280831660.48/view
Baguari Hydro Plant: 140 MW	Registered	63,234	http://cdm.unfccc.int/Projects/DB/SGS-UKL1282040767.96/view
Cachoeirão SHP: 27 MW	Registered	26,400	http://cdm.unfccc.int/Projects/DB/RINA1305214649.79/view
Renova Wind Farms (2009 contract): 129 MW	Registered	117,424	http://cdm.unfccc.int/Projects/DB/LRQA%20Ltd1349355823.93/view
Solar Settesolar: 3 MW	Registered	942	http://cdm.unfccc.int/Projects/DB/RWTUV1356098187.07/view
Renova Wind Farms (2010 contract): 162 MW	Registered	166,924	http://cdm.unfccc.int/Projects/DB/BVQI1350473592.78/view
Pipoca SHP: 20 MW	Registered	17,051	http://cdm.unfccc.int/Projects/DB/RINA1339141027.8/view
Paracambi SHP: 25 MW	Registered	33,993	http://cdm.unfccc.int/Projects/DB/RINA1392324439.94/view
Santo Antônio Hydro Plant	Registered	4,015,196	http://cdm.unfccc.int/Projects/DB/PJR%20CDM1356613142.79/view
Renova Wind Farms (2009): 164 MW	Being Registered	150,801	http://cdm.unfccc.int/Projects/Validation/DB/XMPL2JRB0KUCLA2A31XX020P0YLASJ/view.ht
Renova Wind Farms (2011): 213 MW	Being Registered	215,666	http://cdm.unfccc.int/Projects/Validation/DB/G5GTD3EVZK265RRN4LQK9QF3AK0W5K/view.h

ANNEXES

Cemig selected for inclusion in the Carbon Efficient Index (ICO2)

Developed by BM&FBovespa and the BNDES, this indicator signals to national and international capital markets that Brazil and the Brazilian companies listed are in alignment with the most advanced discussions on climate change. This is the 5th consecutive time that Cemig has been included in the ICO2. (Holding company)

Oekom Research: Prime (B-) status for 3rd consecutive year

The German-based sustainability rating agency Oekom is one of the world's leading agencies classifying corporate investments by sustainability, with over 17 years' experience. *Prime* classification qualifies Cemig for investments by institutions that work with the Oekom criteria (this category currently totals 90 billion euros). This is the 3rd consecutive year in which Oekom has been awarded Cemig Prime (B–) status. (Holding company)

100-Brazilian-companies corporate governance ranking by *América Economia* and *Delta Economics & Finance*

This study by *Delta Economics & Finance* exclusively for *América Economia Brasil* magazine analyzed the governance practices of the 100 companies with the highest volume of trading on BM&F Bovespa. (Holding company)

Brazilian Environmental Benchmarking

The Benchmarking Program is an independent seal of sustainability that recognizes and shares best sustainability practices adopted by Brazilian companies and institutions. With a focus on quality in managerial practices, it identifies companies and managers as leaders and benchmarks for the excellence of their practices. Cemig was ranked 9th, for its *Fish Alive* Program. (Cemig GT)

IR Magazine Awards Brazil

This award is given by IR Magazine Awards Brazil based on a survey to identify outstanding Investor Relations professionals in Brazil. This year Cemiq won in the Public Services category. (Holding company)

Featured in "Anuário Telecom"

Cemig Telecom was voted Featured Company of the Year by *Anuário Telecom* in the Corporate Services Category. (Cemig Telecom)

The Best in Dinheiro

Sponsored by *IstoÉ Dinheiro*, this award goes to companies that have most distinguished themselves in 28 sectors. In 2014, Cemig won in the Electricity category. (Holding company)

Latam-Stars Index ranking

This index drawn up by consultants *Management & Excellence* (M&E), ranks actions by companies considered the best in sustainable management in Latin America. Cemig is one of the eight Brazilian companies among the 16 winners, and the only company from the electricity sector. (Holding company)

The Anefac-Fipecafi-Serasa Transparency Trophy

The *Transparency Trophy* is given to companies practicing outstanding transparency in their accounting information, as reflected in the quality of the annual report and consistency of data reported, among other factors. Cemig is among the winners for the 11th time in a row, in the category "Public Companies with Billing above R\$ 5 billion." (Holding company)

Inova Telecom Program

The project *Support for Technological Innovation in the Telecommunications* Sector, developed jointly by CemigTelecom with Teracom Telemática Ltda. for use in access networks with virtualized functions defined by software, was selected by the Inova Telecom Program, a joint initiative by *Finep* and the Brazilian Development Bank (BNDES), with participation by the Ministries of Science, Technology and Innovation, Health, and Communications. (Holding company)

Dow Jones Sustainability Index

The Dow Jones Sustainability World Index (or *DJSI World*) is a worldwide stock index created in 1999 as the first-ever stock index of companies listed on the New York Stock Exchange that are global leaders in sustainability – understood to be those most capable of creating value for stockholders in the long term through risk management associated with environmental and social as well as economic factors. Cemig is included in the DJSI World for the 15th consecutive year. (Holding company)

Ranked among 10 most transparent by the Carbon Disclosure Project (CDP)

With the highest score among participating Brazilian companies, Cemig was selected by the Carbon Disclosure Project (CDP – 2014 edition) as a leader in transparency in terms of business strategy information for climate change management. This is the third consecutive year in which Cemig has been recognized by the CDP, and the first time it has achieved the highest score in this category. (Holding company)

Harvard Business Review: Ranking of world's best executives

Former Cemig CEO Djalma Bastos de Morais is one of three Brazilian executives who has remained in the ranking of CEOs drawn up by the *Harvard Business Review*. He ranks first among his compatriots, 30th worldwide, and as the best executive in the utilities sector (electricity, gas and water services). (Holding company)

Aberje Award - 1st placed

Cemig's program Attitudes that Move the World took first place in the category Communication of Corporate Sustainability

Programs in the Awards given by Aberje (Brazilian Corporate Communications Association) for the Minas Gerais and Center-West regions of Brazil. (Holding company)

Child-Friendly Company

Recognition by the *Municipal Council for the Rights of Children and Teenagers* (CMDCA) of Belo Horizonte. CMDCA raises funds through allocations of income tax from partner companies and individuals for actions to protect and uphold the rights of Belo Horizonte's young people. (Holding company)

Abap Sustainability Award

This award by the Brazilian Association of Advertising Agencies (Abap) recognizes corporate actions to promote cultural, social and environmental development of the state of Minas Gerais. Cemig won the prize in the *Special* category. (Holding company)

Época/Reclame Agui Service Quality Award

The winners of this prize organized by *Época* magazine and the *Reclame Aqui* (*'Complaints Line'*) website are chosen by popular vote on the *Reclame Aqui* site. Cemig was the winner in the *Public Service – Electricity* category for the second year in a row. (Cemig D)

BM&FBovespa Corporate Sustainability Index (ISE)

2014 was Cemig's 10th consecutive year of inclusion in this index of companies selected for commitment to sustainability, quality, transparency and accountability. Inclusion takes into account multiple factors including analysis of balance between the financial, social, environmental and climate change dimensions. (Holding company)

Leaders of Brazil Award

Sponsored by the Business Leaders Group (*Grupo de Líderes Empresariais*) and the media organization SBT, this award recognizes companies and leaders for efforts to position Brazil at a world leadership level. This was the second consecutive year in which Cemig received this Award. (Holding company)

Best Friend of Sports in the State

The Brazilian Sports Ministry recognized Cemig for its support for sport and athletics in Minas Gerais, as the company that made the largest funding contribution under the Federal Sports Incentive Law, for the 5th consecutive year. (Holding company)

Hugo Werneck Award for Sustainability & Love of Nature

This award is sponsored by the *Sou Ecológico* ('I'm Ecological') Group established by *Revista Ecológico* magazine. The *Fish Alive* Program won the prize for Best Example in Fauna. (Cemig GT)

Funcoge Award

Cemig received the trophy in the *Strategic Business Management* category from Coge (Corporate Management Committee Foundation), for its work *Strategic Real Estate: An Invitation to Operational Efficiency*. (Holding company)

CONSOLIDATED SOCIAL STATEMENT

1) TAY DAOF	2014			2013			
1) TAX BASE	AMOUN	T (THOUSAN	D R\$)	AMOUNT (THOUSAND R\$)			
Net Revenue (NR)	19,539,578			14,627,2			
Operating Income (OI)	5,580,398			4,362,471			
Gross Payroll (GP)			1,109,968			1,038,555	
2) INTERNAL SOCIAL INDICATORS	AMOUNT (THOUSAND R\$)	% OVER GP	% OVER NR	AMOUNT (THOUSAND R\$)	% OVER GP	% OVER NR	
Allowance	79,436	7.16	0.41	75,221	7.24	0.51	
Compulsory social charges	294.767	26.56	1.51	282.123	27.16	1.93	

Private pension plan	78,644	7.09	0.40	77,058	7.42	0.53
Health	44,369	4.00	0.23	44,546	4.29	0.30
Safety and medicine at work	21,372	1.93	0.11	18,716	1.80	0.13
Education	604	0.05	-	463	0.04	-
Culture	-	-	-	78	0.01	-
Training and professional development	37,553	3.38	0.19	27,125	2.61	0.19
Kindergartens or day-care assistance	2,183	0.20	0.01	2,102	0.20	0.01
Profit Sharing	238,664	21.50	1.22	228,763	22.03	1.56
Other	16,657	1.50	0.09	18,422	1.77	0.13
Total - Internal Social Indicators	814,249	73.37	4.17	774,617	74.57	5.29
3) EXTERNAL SOCIAL INDICATORS	AMOUNT (THOUSAND R\$)	% OVER OI	% OVER NR	AMOUNT (THOUSAND R\$)	% OVER OI	% OVER NR
Education	287	0.01	-	1,200	0.03	0.01
Culture	26,816	0.48	0.14	24,831	0.57	0.17
Other Donations / Grants / ASIN Project / Sports	66,699	1.20	0.34	51,638	1.18	0.35
Total of Contributions to the Society	93,802	1.68	0.48	77,669	1.78	0.53
Taxes (excluding social charges)	6,749,772	120.96	33.54	5,605,824	128.50	38.32
Total - External Social Indicators	6,843,574	122.64	35.02	5,683,493	130.28	38.85
4) ENVIRONMENTAL INDICATORS	AMOUNT (THOUSAND R\$)	% OVER OI	% OVER NR	AMOUNT (THOUSAND R\$)	% OVER OI	% OVER NR
Related to the operation of the company	52,838	0.95	0.27	181,300	4.16	1.24
In Programs and / or external projects	-	-	-	-	-	-
Total of Investments in Environment	52,838	0.95	0.27	181,300	4.16	1.24
Regarding the establishment of annual targets to minimize toxic waste and general consumption during	(X) has no goal	to 75%	ets from 51	(x) has no goals	to 75%	ets from 51 6

production / operation and increase efficiency in the use of natural resources, the company:

50%

() meets from 76 to 100%

50%

() meets from 76 to 100%

5) STAFF INDICATORS	2014 2013					
Number of employees at the end of the period		7,922				7,922
Number of admissions during the period	217					776
Number of outsourced employees			ND			ND
Number of trainees			277			336
Number of employees over 45 years old			3,596			3,375
Number of women working in the company			1,087			1,042
% of management positions held by women	12.03			12.76		
Number of black people working in the company		2,546			2,542	
% of management positions held by black people			14.11			13.17
Number of individuals with disabilities or special needs			230			85
6) RELEVANT INFORMATION REGARDING CORPORATE CITIZENSHIP		2014		2015 GOALS		
Relationship between the highest and the lowest compensation in the company			32.26		There	are no goals
Total number of work accidents to be considered with employees			88		There	are no goals
The social and environmental projects developed by the company were defined by:	() Board of Directors	(X) Board of Directors and Managers	() All employees	() Board of Directors	(X) Board of Directors and Managers	() All employees
The safety and health standards in the workplace	() Board of Directors and	(X) All employees	() Everyone + CIPA	() Board of Directors and	(X) All employees	() Everyone

were defined by:	Managers			Managers		+ CIPA
Regarding the freedom of labor union organization, the right to collective bargaining and internal representation of the employees, the company:	() does not get involved	(x) follows the OIT standards	() encourages and follows the OIT	(x) will not get involved	() will follow the OIT standards	() will encourage and follow the OIT
The private pension plan covers:	() Board of Directors	() Board of Directors and Managers	(X) All employees	() Board of Directors	() Board of Directors and Managers	(X) All employees
The Profit Sharing include:	() Board of Directors	() Board of Directors and Managers	(X) All employees	() Board of Directors	() Board of Directors and Managers	(X) All employees
When selecting suppliers, the same ethical standards, and social and environmental responsibility standards adopted by the company:	() are not considered	() are suggested	(X) are required	() will not be considered	() will be suggested	(X) will be required
Regarding the participation of employees in voluntary work programs, the company:	() does not get involved	() supports it	(X) organizes and encourages it	() will not get involved	() will support it	(X) will organize and encourage it
Total number of complaints and criticism from consumers:	in the company	in Procon	in Court	in the company	in Procon	in Court
% of complaints and resolved reviews:	in the company	in Procon	in Court	in the company	in Procon	in Court
TOTAL ADDED VALUE TO BE DISTRIBUTED (IN THOUSAND R\$)		IN 2014:			IN 2013:	
Distribution of Value Added (DVA)	50.23% Govern shareholders 11.98% employ and 13.42% with	/ees, 14.08% th		48.46% Govern shareholders 13.46% employ and 12.99% wit	rees, 11.25% th	

GRI INDEX

GRI IND	GRI INDICATORS		INFORMATION VERIFIED	IMP.	ACTS
				INTERNAL	EXTERNAL
G4	Strategy and Analysis				
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.		No	X	X
G4-2	Provide a description of key impacts, risks, and opportunities.		Yes	Х	Х
	Organizational Profile				
G4-3	Report the name of the organization.		No	-	-
G4-4	Report the primary brands, products, and services.		No	-	-
G4-5	Report the location of the organization's headquarters.		No	-	-
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or		No	-	-

	that are specifically relevant to the sustainability topics covered in the report.			
G4-7	Report the nature of ownership and legal form.	No	-	-
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	No	-	-
G4-9	Report the scale of the organization.	No	-	-
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	No	-	-
EU2	Net energy output broken down by primary energy source and by regulatory regime.	No	X	X
EU3	Number of residential, industrial, institutional and commercial customer accounts.	No	X	-
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	No	X	x
	Allocation of CO ₂ emissions There was	no		

EU5	allowances or equivalent, broken down by Carbon Trading Framework.	funding through carbon credit trading.	No	-	-
G4-10	Report the total number of employees and workforce by employment contract, employment type, region and gender.		Yes	х	х
G4-11	Report the percentage of total employees covered by collective bargaining agreements.		Yes	х	-
G4-12	Describe the organization's supply chain.	Internally, Cemig meant by their supply chain operations Generation, Transmission and Distribution. However, it still must be considered other agents that are not part of Cemig Group, such as suppliers of goods and services that act upstream and downstream the supply chain considered by Cemig. All these agents are included in the report.	No	X	X
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.		No	X	X

G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	considers the principle of caution in cases of risk management in the planning of and developing new business operations. During planning, all factors are considered that may present risks to the health and safety of employees, suppliers, customers and the general public.	No	X	X
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.		No	Х	Х
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: Holds a position on the governance body; Participates in projects or committees; Provides substantive funding beyond routine membership dues; Views membership as	Cemig participates in the following associations: Brazilian Electricity Distributors Association (ABRADEE), Federation of Industries of the State of Minas Gerais (FIEMG), and the Brazilian Business Council for Sustainable Development (CEBDS).	No	X	X

	strategic.				
	Identified Material Aspects and Boundaries				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents; Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.		No	X	x
G4-18	Explain the process for defining the report content and the Aspect Boundaries; Explain how the organization has implemented the Reporting Principles for Defining Report Content.		Yes	X	X
G4-19	List all the material Aspects identified in the process for defining report content.		Yes	х	х
		Water.	Yes	Х	Х
		Biodiversity.	Yes	Х	x
	For each	Customers and Consumers.	Yes	х	х
	material aspect,	Community.	Yes	-	х
G4-20	Aspect Limit within the organization.	Economic Performance.	Yes	X	Х
G4-20	For each	Employees.	Yes	X	<u>-</u>
	material aspect,				

	report your Aspect Limit	Supplier Management.	Yes	Х	х
	whithout the organization.	Innovation.	Yes	Х	Х
		Investment for Growth.	Yes	Х	х
		Climate Change.	Yes	Х	Х
		Health and Safety.	Yes	Х	Х
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.		No	x	-
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.		No	х	-
	Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organization.		Yes	x	-
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.		Yes	х	-

G4-26	type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	clipping newspapers, through sources of internal and external data to the Company. In general, the data sources has no particular schedule to be updated; better	No	x	-
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	Report Profile			
G4-27	Report 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. Report the stakeholder groups that raised each of the key topics and concerns.	No	X	X
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	No	-	-
G4-29	Date of most recent previous report (if any).	No	-	-
G4-30	Reporting cycle (such as annual, biennial).	No	-	-
G4-31	Provide the contact point for questions regarding the report or its contents.	No	-	Х
	Report the 'in			

G4-32	accordance' option the organization has chosen; Report the GRI Content Index for the chosen option; Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	No	X	X
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	Yes	х	х
	Governance			
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	No	X	X
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest	No	X	-

	governance body to senior executives and other employees.				
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.		No	X	X
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	Does not apply to Cemig's governance model.	No	-	-
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.		No	X	X
	Report processes for the highest governance				

G4-41	body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.		No	x	x
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.		No	X	-
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Executive Board.	No	X	-
G4-51	Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.		No	X	-
	Ethics and				

	Integrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	No	X	x
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity (e.g., ombudsman).	Yes	X	х
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Yes	X	X
	Management approach and performance indicators			
	Economic Performance			
	Electric utilities sector-specific disclosures on management approach			
	Availability and Reliability			

EU6	Planning to ensure short and long-term electricity availability and reliability (Information).		No	x	x
	Aspect: Demand-side management (DSM)				
EU7	Demand-side management programs including residential, commercial and industrial programs (Information).	See Energy Efficiency item.	No	X	x
	Aspect: Research and Development				
EU8	Research and development activity, and expenditure aimed at providing reliable electricity and promoting sustainable development (Information).		Yes	X	x
	Aspect: Decommissionin g of plants				
EU9	Provisions for decommissioning of nuclear power plants (Information).	Not applicable.	No	-	-
	Economic Performance Indicators				
	Aspect: Availability and Reliability				
	Planned capacity against projected electricity demand over the				

EU10	long-term, broken down by energy source and regulatory regime.		No	x	x
	Aspect: System Efficiency				
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	The average efficiency of thermal plants in 2014 was 23.67% at UTE lpatinga, 24.55% at UTE Barreiro and 32.97% at UTE Igarapé.	No	X	X
EU12	Transmission and distribution losses as a percentage of total energy.		Yes	X	X
	Economic Performance				
	Aspect: Economic Performance				
EC1	Direct economic value generated and distributed.		No	х	х
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.		No	х	Х
EC3	Coverage of the organization's defined benefit plan obligations.		Yes	Х	-
EC4	Financial assistance received from government.		Yes	х	х
	Aspect: Market Presence				

Ratios of standard entry level wage by gender

EC5	compared to local minimum wage at significant locations of operation.		Yes	х	-
EC6	Proportion of senior management hired from the local community at significant locations of operation.	Cemig has no specific standard for hiring local employees. As it is a mixed capital company, contracting can only be accomplished through public tender.	No	-	-
	Aspect: Indirect Economic Impacts				
EC7	Development and impact of infrastructure investments and services supported.		No	Х	Х
	Aspect: Purchasing Processes				
EC9	Proportion of spending on local suppliers at significant locations of operation.		No	-	Х
	Environmental Performance				
	Environmental Performance Indicators				
	Aspect: Materials				
	Materials used by weight or volume.				
EN1	Note about this indicator: Report in-use inventory of solid and liquid, high level and low level		No	х	х

	PCBs in equipment.				
EN2	Percentage of materials used that are recycled input materials.		No	х	х
	Aspect: Energy				
EN3	Energy consumption within the organization.		Yes	х	х
EN5	Energy intensity.	The intensity in the product was 0.08812354 in 2014.	No	х	х
EN6	Reductions in energy consumption.		Yes	х	х
EN7	Reductions in energy consumption demands for products and services.		Yes	х	х
	Aspect: Water				
EN8	Total water withdrawal by source. Note about this indicator: Report total amount of water used for processing, cooling and consumption in thermonuclear plants, including the use of water in ash handling.		Yes	X	X
EN9	Water sources significantly affected by withdrawal of water.		Yes	х	х
EN10	Percentage and total volume of water recycled and reused.	The amount of water recycled or reused by Cemig is insignificant.	Yes	х	Х
	Aspect: Biodiversity				

EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Yes	x	x
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. Note about the indicator: Include: Maintenance of transmission line corridors; fragmentation and insulation, and impacts of thermal disposal.	Yes	X	X
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	Yes	X	X
EN13	Habitats protected or restored.	Yes	х	х
	Aspect: Emissions			
	Direct greenhouse gas (GHG) emissions (Scope 1). Notes about the indicator: Report CO ₂ emissions per MW/h by country or regulatory			

EN15	regime, for: Net generation from total generating capacity; Net generation from total fossil fuel generation; Net delivery estimate for end users. Include emissions from own generation, as well as gross purchased energy, including line losses.		Yes	X	x
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2). Notes about the indicator: Report CO ₂ emissions per MW/h by country or regulatory regime, for: Net generation from total generating capacity; Net generation from total fossil fuel generation; Net delivery estimate for end users. Include emissions from own generation, as well as gross purchased energy, including line losses.		Yes	X	X
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).		Yes	х	х
EN18	Greenhouse gas (GHG) emissions intensity.		Yes	х	х
EN19	Reduction of greenhouse gas (GHG) emissions.		Yes	Х	Х
EN20	Emissions of ozone-depleting substances	Information not available.	No	х	х

	(ODS).			
EN21	NOx, SOx, and other significant air emissions by type. Comments on the indicator: Report emissions per MWh net generation.	Yes	X	х
	Aspect: Effluents and Waste			
EN22	Total water discharge by quality and destination Comments on the indicator: include thermal discharge.	Yes	х	x
EN23	Total weight of waste by type and disposal method. 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/intermediat e level waste and high level waste separately, based on IAEA radioactive waste classification.	Yes	X	X

	This should also include waste produced from reprocessing activities, where data is available.				
EN24	Total number and volume of significant spills.	In 2014, there were no significant spills.	Yes	х	х
EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ² Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Cemig does not engage in the international transport of waste.	Yes	-	X
EN26	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.		Yes	X	X
	Aspect: Products and Services				
EN27	Extent of impact mitigation of environmental impacts of products and services.	Cemig believes that the impacts are not significant. Existing relevant projects are related to biodiversity and have been reported in the EN12 indicator.	No	-	X
	Percentage of products sold	The Company's main product is			

EN28	and their packaging materials that are reclaimed by category.	electricity, which due to its nature does not require packaging.	No	-	-
	Aspect: Compliance				
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		Yes	x	-
	Aspect: Transportation				
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.		Yes	X	X
	Aspect: Overall				
EN31	Total environmental protection expenditures and investments by type.		Yes	х	Х
	Aspect: Environmental Assesment of Suppliers				
EN32	Percentage of new suppliers that were screened using environmental criteria.		Yes	Х	Х
	Significant actual and potential negative				

impacts in the supply chain and actions taken.

	Social Performance			
	Performance Indicators Related to Labor Practices and Decent Work			
	Aspect: Employment			
EU14	Programs and processes to ensure the availability of a skilled workforce.	No	X	
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	Yes	X	-
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	Yes	X	X

Total number and rate of employee turnover by age group, gender, and region. Commen ts on the indicator: For

the employees

LA1

leaving
employment
during the
reporting period,
provide the
average length
of tenure of
employees

leaving broken down by gender

Yes

Χ

	and age group.				
LA2	Benefits provided to full- time employees that are not provided to temporary or part-time employees, by major operations.		No	х	-
LA3	Return to work and retention rates after parental leave, by gender.	In 2014, maternity leave was granted to 19 women, of whom 6 began 2015 on maternity leave, while the other 13 returned to work following the conclusion of their leave. In total, 18 women returned from maternity leave in 2014, of whom, only a housekeeper asked to have her employment terminated. Upon examination 12 months after return from leave, there was a 100% retention rate. Among men, in 2014, 120 had the right to paternity leave. All returned to work after the leave period ended.	No	X	
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.		Yes	X	-
	Aspect: Labor Relations				

LA4	period(s) regarding significant operational changes, including whether it is specified in collective agreements.		No	х	-
	Aspect: Workplace Health and Safety				
LA5	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.		No	X	-
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender.		Yes	X	-
LA7	Workers with high incidence or high risk of diseases related to their occupation.	According to Occupational Medicine, Cemig's employees are subject to the risk of diseases caused by accidents and diseases not caused by the work itself (occupational diseases).	No	X	-
	Health and safety topics				

LA8	covered in formal agreements with trade unions.	Yes	х	-
	Aspect: Training and Education			
LA9	Average hours of training per year per employee by gender, and by employee category.	Yes	Х	-
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Yes	X	-
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	No	X	-
	Aspect: Diversity and Equal Opportunities			
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Yes	X	-
	Aspect: Equal Remuneration			

	Women			
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Yes	X	-
	Aspect: Evaluation of Suppliers' Labor Practices			
LA14	Percentage of new suppliers that were screened using labor practices criteria.	Yes	х	х
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	Yes	х	х
	Human Rights Performance Indicators			
	Aspect: Investments			
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	No	-	-
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights	No	Х	-

that are relevant to operations, including the percentage of employees trained.

	traineu.			
	Aspect: Anti- Discrimination			
HR3	Total number of incidents of discrimination and corrective actions taken.	No	Х	-
	Aspect: Freedom of association and collective bargaining			
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	No	X	X
	Aspect: Child Labor			
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	No	x	x
	Aspect: Forced or Compulsory Labor			
	Operations and suppliers identified as having significant risk			

HR6	for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	No	X	х
	Aspect: Safety Practices			
HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	Yes	x	-
	Aspect: Human Right Evaluation of Suppliers			
HR10	Percentage of new suppliers that were screened using human rights criteria.	Yes	х	х
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	Yes	x	х
	Company's Social Performance Indicators			
	Aspect: Emergency and disaster prevention and preparedness			
EU21	Contingency planning measures, disaster/emerge ncy	Yes	X	X

	management plan and training programs, and recovery/restora tion plans.				
	Aspect: Community				
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.		Yes	X	X
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.		Yes	X	X
	Aspect: Combatting Corruption				
S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.		Yes	х	х
S04	Communication and training on anti-corruption policies and procedures.		Yes	Х	Х
S05	Confirmed incidents of corruption and actions taken.		Yes	х	х
	Aspect: Public Policy				
S06	Total value of political contributions by country and	Being a joint stock company, Cemig cannot and does not make financial contributions to	No	-	-

	recipient/benefi ciary.	politicians, parties or related institutions.			
	Aspect: Unfair Competition				
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	The Company was not prosecuted, nor were any administrative proceedings brought against it for violations of the competitive order (neither for practices of trust, monopoly or unfair competition). All of Cemig's acquisitions, prior to taking effect, must be approved by the Administrative Council for Economic Defense (CADE), an authority linked to the Brazilian Ministry of Justice.	No	X	-
	Aspect: Evaluation of Suppliers on Impacts to Society				
S09	Percentage of new suppliers that were screened using criteria for impacts on society.		Yes	х	X
S010	Significant actual and potential negative impacts on society in the supply chain and actions taken.		Yes	X	X

recipient/benefi

politicians,

	Product liability indicators				
	Aspect: Client Health and Safety				
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.		No	x	-
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	There were no non-compliance cases related to this aspect.	No	X	X
EU25	Number of injuries and fatalities to the public involving company assets including legal judgments, settlements and pending legal cases of diseases.		Yes	×	X
	Aspect: Labelling of Products and Services				
PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and		No	-	x

	service categories subject to such information requirements.				
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		No	-	x
PR5	Results of surveys measuring customer satisfaction.		Yes	х	х
	Aspect: Marketing Communication s				
PR6	Sale of banned or disputed products.	Not applicable.	No	-	-
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.		No	x	x
	Aspect: Client Privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		No	х	х
	Aspect:				

Cemig was cited 7 times by Aneel in 2014, generating fines totaling R\$ 60,840,938.07. Cemig has controls with annual targets for the reduction of fines received through processes and specific internal controls, which are focused directly on an effort to reduce initial amounts levied. In 2014 there was an administrative level decision Monetary value regarding 5 of significant fines, which fines for nonrelated to three compliance with infringement laws and notices issued PR9 No regulations by ANEEL in concerning the 2013 and two provision and others in 2014. use of products The value of and services. these 5 fines, for 2014, taking into consideration the decisions of previous years, was R\$ 47,131,004.58. Following the decisions during this year, the value increased to R\$ 33,728,911.04, and was then reduced by 28.4%, which is equivalent to a Reduction of **Regulatory Fines** Index (IRMR) of

Aspect: Compliance		
Percentage of		

45.5%; close to the 2014 target of 46.1%.

EU26	population unserved in licensed distribution or service areas.		Yes	х	х
EU27	Number of residential disconnections for nonpayment.		Yes	х	X
EU28	Power outage frequency.		Yes	x	X
EU29	Average power outage duration.		Yes	X	X
EU30	Average plant availability factor by energy source and by regulatory regime.	Average availability by source of energy in 2014 (%): Hidraulics: 94.74 Wind: 89.60 Thermal: 84.02	No	X	X

GLOBAL COMPACT	
Human Rights	
GC1	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;
GC2	Principle 2: Make sure that they are not complicit in human rights abuses.
Labour	
GC3	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
GC4	Principle 4: The elimination of all forms of forced and compulsory labour;
GC5	Principle 5: The effective abolition of child labour; and
GC6	Principle 6: The elimination of discrimination in respect of employment and occupation.
Environment	
GC7	Principle 7: Businesses should support a precautionary approach to environmental challenges;
GC8	Principle 8: Undertake initiatives to promote greater environmental responsibility; and
GC9	Principle 9: Encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
GC10	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

INDEPENDENT VERIFICATION STATEMENT

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 2014 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

Assurance conducted on the Report, that included in its criteria the requirements set out in the Guidelines and Principles of the Global Reporting Initiative GRI-G4 (2013) and Electric Utility Sector Supplement^{3.}

The assurance process was conducted to meet the requirements of a Type 2 assurance engagement as defined by AA1000 2008 Assurance Standard² (AA1000 AS).

The Assurance over the accuracy and reliability of the reported performance data and information relates solely to the companies Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A. concerning the period from 1 January to 31 December 2014.

Excluded from the scope of our work is assurance of any information relating to:

- Activities outside the defined assurance period;
- Statements of position (expressions of opinion, belief, goals or future intention)on the part of Cemig;
- Economic and financial information contained in this Report which has been taken from financial statements verified by independent financial auditors;
- Inventory of Greenhouse Gas (GHG) emissions in its entirety.

¹ Materiality, Stakeholder Inclusiveness, Sustainability Context, Completeness, Balance, Comparability, Accuracy,

Timeliness, Clarity, and Reliability

2 Published by AccountAbility: The Institute of Social and Ethical Accountabilityhttp://www.accountability.org.uk, including the Principles of Materiality, Responsiveness and Completeness.

³ Sustainability Reporting Guidelines & Electric Utility Sector Supplement, Version 3.0/EUSS Final Version

METHODOLOGY

Our work was conducted using Bureau Veritas' internal protocol for the Independent Assurance of Sustainability Reports, based on current best practiceand included the following activities:

- 1. Interviews with the personnel responsible for material issues and Report content;
- 2. Analysis of documentary evidence provided by Cemig in relation to the reporting period (2014);
- 3. Desk review of Cemig's stakeholder engagement activities and response to stakeholders through the reporting process;
- 4. Evaluation of the method used to define material issues and aspects included in the Report, taking into account the sustainability context and the scope of CEMIG's activities:
- The following facilitieswere visited: Head Office in Belo Horizonte (MG); Logistic and Material Administration MS/LA.

The 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 concerning the reliability of specified performance information within the report, providing a sound basis for our conclusions.

TECHNICAL REPORT

- ECMIG sets out a documented method for the analysis of Materiality and the establishment of the material issues for inclusion in the Report. We evidenced the application of this method in 2014, which encompassed an extensive global analysis of sustainability trends, and consults with internal functions of CEMIG, responsible for engagement with stakeholders (including local governments) identified for the Materiality analysis. Communication records between internal and external stakeholders relating to the materiality assessment were also reviewed. We considered the method used by CEMIG and its results to be appropriate;
- CEMIG continued to publish its short and medium term Objectives and Targets, in line with the strategy of the company, accounting for the company's performance in 2014;
- CEMIG resubmitted its Inventory of Greenhouse Gas emissions for independent external certification in compliance with the NBR ISO 14064 standard. The data used to compile the EN3, EN4, EN16, EN17 and EN19 GRI indicators were derived from this inventory;
- Concerning the recovery of riparian woodlands, CEMIG explains that the company donates saplings of native species, but it monitors only the projects for the recovery of the margins of the reservoirs that are under the company's responsibility;
- It is positive that CEMIG reports upon measurement and monitoring systems adopted for business contingency planning, as well as the management plan and training programs for disasters/emergencies (EU21 indicator);

- Regarding the Index of Satisfaction with the Quality Perceived (ISQP) information was evidenced regarding the actions taken by the company to improve its performance with clients, which are followed up and validated by the CEMIG Clients Committee;
- EMIG continued to publish information about projects, programs and actions of companies in which it has an interest. Such information was gathered from queries raised concerning material issues associated with the companies in question;
- Information on human rights management in the supply chain of the Distribution Business was evidenced, related mainly to criteria of registration, selection and contracting of suppliers. However, there was limited information on the systematic monitoring of human rights, social, environmental and labor practices concerning CEMIG's suppliers;
- Significant improvements in the methodology for collecting quantitative data for the Report was seen, as well as training for the employees engaged for this purpose (Respondents) across the identified 11 material issues. During field visits more precise data consolidation and a better understanding of the information was also evidenced;
- CEMIG sets out a new communication flow regarding environmental fines and non-monetary sanctions and the data and information obtained to comply with indicator EN28 was deemed to be reliable;
- The channels for grievances used by CEMIG do not fully meet the criteria set out in GRI key performance indicator for environmental and social grievances (EN34, SO11);
- During the course of the assurance, inconsistencies identified in the Report regarding one or more principles of the GRI G4 were satisfactorily revised;
- It was noted that recommendations made in the assurance Statement for the previous reporting period were addressed by CEMIG in this reporting cycle, with the exception of one. For continuity, that recommendation is maintained below, alongside new recommendations from this assurance cycle.

RECOMMENDATIONS FOR THE NEXT CYCLE

CEMIG should:

- Improve its management of human rights, labor practices, environmental and social responsibility in its supply chain, establishing a monitoring system for the requirements it sets out in contracts and procedures applicable to suppliers;
- Improve the system for collecting and consolidating information concerning the SO8 indicator (fines and non monetary sanctions for non compliance with laws and regulations), given that there was no evidence of centralized management of this issue, making difficult the collection of associated data (recommendation from previous cycle, updated);
- Improve the management of environmental and social grievances, with the standardization of the reporting channels used, enabling grievance follow up, concerning it's classification, quantification, handling and solution.

CONCLUSION

As per the scope of the assurance, the information and data presented in the Report were deemed to be accurate, free from significant error or misrepresentation, accessible and understandable to stakeholders.

The Report provides a fair and balanced representation of CEMIG's sustainability performance.

We conclude that the Report adheres to the Principles of content and quality of the GRI-G4 guidelines, and fulfils the criteria of the option Essential.

STATEMENT OF INDEPENDENCE, IMPARTIALITY AND COMPETENCE

Bureau Veritas is an independent professional services firm that specializing 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 any commercial links 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 across staff in their day to day business activities.

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São Paulo, April 2015.

Alexander Vervuurt Lead-assuror

String

Bureau Veritas Certification - Brasil

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Cemig Investor Relations Management (RI)

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