



## **PROPOSAL BY THE BOARD OF DIRETORS TO THE EXTRAORDINARY GERENRAL MEETING OF STOCKHOLDERS TO BE HELD ON 18 FEBRUARY 2005.**

Dear Stockholders:

In the light of the following matters:

a) The Extraordinary General Meeting of Stockholders of Cemig held on 30 December 2004 approved the following: a) transfer of the generation, transmission and distribution establishments of Companhia Energética de Minas Gerais to the wholly-owned subsidiaries Cemig Geração e Transmissão S.A. and Cemig Distribuição S.A., by transfer of assets, land sites, buildings, improvements and other real estate property, rights, obligations, employees, clientele and other elements related to these activities, the wholly-owned subsidiaries becoming successors for all purposes and effects in the rights and also the obligations, especially tax, social security and labor-law obligations of Cemig, the Company being authorized to carry out such transfers without novation; b) the Executive Summary Opinion on Accounting Valuation (Valuation Opinion on Goods and Physical/accounting Reconciliation of the Assets of Cemig), prepared by SETAPE – Serviços Técnicos de Avaliações do Patrimônio e Engenharia Ltda, and also the transfer of the goods of Cemig's fixed assets in service, to the wholly-owned subsidiaries Cemig Geração e Transmissão S.A. and Cemig Distribuição S.A.; c) the Opinion on Book Value (Opinion on Monetary Special Obligations, Assets and Liabilities of Cemig), prepared by the company Deloitte Touche Tohmatsu Auditores Independentes, and also the transfer of the monetary special obligations, assets and liabilities of Cemig, based on the book value at 30 September 2004, to the wholly-owned subsidiaries Cemig Geração e Transmissão S.A. and Cemig Distribuição S.A.; d) transfer, by 31 January 2005, through the paying-up of the registered capital of the wholly-owned subsidiaries Cemig Geração e Transmissão S.A. and Cemig Distribuição S.A., of the net value of the movable assets, sites and other real estate property, rights and obligation contained in the above-mentioned Opinions to be approved in that Extraordinary General Meeting of Stockholders; and registration, in the account line *Advances for future increases of capital* (AFAC), in Companhia Energética de Minas Gerais, of the accounting balances at 31 December 2004 of the goods, rights and obligations of Cemig, deducting the amount corresponding to the net amount of the values specified by the above-mentioned Opinions, the result of which shall be subscribed to the registered capital of the wholly-owned subsidiaries Cemig Geração e Transmissão S.A. and Cemig Distribuição in 2005.

b) in relation to the transfer of the generation, transmission and distribution establishments of Companhia Energética de Minas Gerais to the wholly-owned subsidiaries Cemig Geração e Transmissão S.A. and Cemig Distribuição S.A., through transfer of the movable goods, sites, buildings and improvements and other real estate properties, rights, obligations, employees, clientele and other elements related to these activities, in relation to the contractual relations established by the State of initiate eyes with Companhia Energética de Minas Gerais, the transfer was made conditional upon prior specific approval by the State of Minas Gerais, to be ratified in an Extraordinary General Meeting of Stockholders of Companhia Energética de Minas Gerais, and also to the agreement, as applicable, of the parties that are parties to the said contractual relationships;

c) the transfers mentioned above of which the individual value is more than or equal to 20 (twenty) times the minimum limit set by the bylaws for authorization by the Board of Directors of Companhia



Energética de Minas Gerais, and also non-operational good and rights, independent of their value, were authorized *ad referendum* the General Meeting of Stockholders of Companhia Energética de Minas Gerais;

d) Undertakings have been reached with a representative of the State of Minas Gerais in relation to:

- transfer, from Cemig to the wholly-owned subsidiary Cemig Geração e Transmissão S.A., of the debt relating to the two issues of debentures subscribed by the State of Minas Gerais, the proceeds of which were invested in the construction of the Irapé Hydroelectric power plant.
- maintenance of the counter-guarantee offered to the Federal Government of Brazil for the debts of Cemig contracted with KfW (financing for the Transmission project for the Jequitinhonha Valley), The Inter-American Development Bank (IABD contract 176 BR) and for the debt arising from the restructuring of the foreign debt which gave rise to the Contract for Acknowledgment and consolidation of Debt signed under Resolution 98/1992, which will be transferred to the wholly-owned subsidiaries Cemig Geração e Transmissão S.A and Cemig Distribuição S.A.

e) To meet the conditions imposed, the Executive Board of Cemig provides the following information:

o **List of assets and liabilities contained in the Opinions Approved by the Extraordinary General Meeting of Stockholders of 30 December 2004**

Description	Generation / Transmission	Distribution
<b>Assets</b>		
<b>Current assets</b>		
Anticipated expenses – CVA	-	519,404,107.83
Belgo Mineira Debentures (Negotiation with Sider. Mendes Jr.)	-	1,604,353.82
<b>Long-term receivables</b>		
Anticipated expenses – CVA	-	149,430,741.21
Belgo Mineira Debentures (Negotiation with Sider. Mendes Jr.)	-	7,915,688.70
<b>Property, plant and equipment</b>		
Fixed assets in service		
Historic cost	6,753,130,186.11	7,463,897,723.00
Accumulated depreciation	(2,918,439,601.14)	(3,320,625,573.29)
Special obligations	(1,571,058.93)	(1,780,958,426.15)



Total of goods and rights	3,833,119,526.04	3,040,668,615.12
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## Liabilities

### Current liabilities

Loans, financing and debentures	687,161,784.78	820,856,504.25
Funds linked to loans and financings	(42,327,688.40)	(46,727,433.04)
Post-employment obligations	46,562,531.87	139,805,824.65

### Long-term liabilities

Loans and financings, and debentures	564,908,760.30	676,406,813.62
Funds linked to loans and financings	(13,385,330.71)	(19,805,370.60)
Post-employment obligations	331,180,049.22	994,381,061.87

Total obligations	1,574,100,107.06	2,564,917,400.75
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Net balances transferred	2,259,019,418.98	475,751,214.37
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○ **Description of the list of assets and liabilities contained in the Opinions approved by the Extraordinary General Meeting of Stockholders of 30 December 2004**

▪ ***Anticipated expenses – CVA (short and long-term)***

These correspond to the differences between the estimates of non-manageable costs of Cemig Distribuição (Portion A) used in the determination of the tariff adjustment and the costs in fact incurred. These differences are compensated in the subsequent tariff adjustments of Cemig Distribuição.

▪ ***Belgo Mineira debentures (Siderúrgica Mendes Jr. negotiation) (short and long-term)***

These correspond to the debtor balance relating to the electricity supplied to Companhia Siderúrgica Mendes Júnior, which Companhia Siderúrgica Belgo-Mineira negotiated with CEMIG when Belgo-Mineira acquired control of Mendes Júnior.

▪ ***Fixed assets in service***

These consist of movable goods, sites, rights of use, buildings and other real estate properties, in operation, used for generation, transmission, sale and distribution of electricity. As decided by the Extraordinary Meeting of Stockholders of 30 December, 2004, the assets whose individual values are greater than or equal to 20 (twenty) times the minimum limit approved by the bylaws for authorizations by the Board of Directors are listed below.

Plant	Description	Historic value	Accumulated depreciation	Net book value
SAO SIMAO	Earth and rock dam, approximately 87 meters in height, 10 meters wide	171,571,154.42	124,461,889.87	47,109,264.55
NOVA PONTE	Dam of earth and compacted fill with 1,600 meters in length	761,224,833.34	183,356,157.69	577,868,675.65
NOVA PONTE	Reinforced concrete spillway, 126 x 46.30 meters, with 56,000 cubic meters of concrete	108,380,783.09	26,104,594.39	82,276,188.70
EMBORCAÇA O	Dam, of length 1,507 m, maximum height 159 m, crest width 15 m.	286,613,683.44	170,477,476.79	116,136,206.65
MIRANDA	Zoned-type earth and rock dam, with crest width 20 m and maximum height 85 m	540,765,243.05	70,347,783.96	470,417,459.09
MIRANDA	Surface-type reinforced concrete spillway, with 4 sluice gates, and concrete volume 77,500 m <sup>3</sup>	156,060,736.16	20,301,031.81	135,759,704.35
NOVA PONTE	Control building, machine room, with 822.02 m <sup>2</sup>	209,681,619.89	50,667,500.89	159,014,119.00
MIRANDA	Machine room building, in reinforced concrete, with total concrete volume 48,700 m <sup>3</sup> .	101,565,486.69	14,059,136.34	87,506,350.35
SAO SIMAO	System for illumination and power for the area of the plant	121,175,654.51	95,664,828.13	25,510,826.38

▪ **Special obligations**

These refer to the contributions by consumers toward execution of the works necessary to meet requests for supply of electricity

▪ ***Loans, financings and debentures (short and long-term)***

These funds were raised for the acquisition of assets linked to electricity generation, transmission and distribution projects as shown below:

FINANCIADORES	Curto Prazo	Longo Prazo	Total	Geração e Transmissão	Distribuição
<b><u>EM MOEDA ESTRANGEIRA</u></b>					
ABN AMBRO BANK - N. V.	9.887.187,52	9.528.666,69	19.415.854,21	8.931.293,01	10.484.561,20
BANCO BNL DO BRASIL S.A.	15.884.366,29	-	15.884.366,29	-	15.884.366,29
BANCO DO BRASIL S.A - BÔNUS DIVERSOS	28.999.844,47	212.913.329,80	241.913.174,27	-	241.913.174,27
BANCO DO BRASIL S.A. I	96.721.862,27	-	96.721.862,27	-	96.721.862,27
BANCO DO BRASIL S.A. III	119.771.600,75	-	119.771.600,75	55.094.936,44	64.676.664,31
BANCO DO BRASIL S.A. V	80.436.195,49	-	80.436.195,49	80.436.195,49	-
BID	9.642.801,98	5.706.811,78	15.349.613,76	7.061.506,50	8.288.107,26
BANCO ITAÚ - BBA I	10.515.427,27	-	10.515.427,27	10.515.427,27	-
BANCO ITAÚ - BBA II	88.631.691,71	-	88.631.691,71	-	88.631.691,71
BANCO ITAÚ BBA III	113.394.439,25	-	113.394.439,25	-	113.394.439,25
BANCO ITAÚ S.A. I	47.983.842,96	71.465.000,04	119.448.843,00	54.946.467,78	64.502.375,22
BANCO ITAÚ S.A. II	48.498.297,11	-	48.498.297,11	33.948.807,93	14.549.489,18
BRADESCO I	50.694.780,87	-	50.694.780,87	50.694.780,87	-
CITIBANK N.A. I	32.883.241,56	-	32.883.241,56	15.126.291,16	17.756.950,40
CITIBANK N.A. II	7.705.316,47	7.425.913,10	15.131.229,57	6.960.365,58	8.170.863,99
ING BANK EUROBÔNUS	79.873.537,50	-	79.873.537,50	36.741.827,24	43.131.710,26
KFW	2.694.544,40	26.980.355,24	29.674.899,64	-	29.674.899,64
SIEMENS LTDA II	22.688.916,85	(0,03)	22.688.916,82	-	22.688.916,82
UNIBANCO I	61.532.168,59	-	61.532.168,59	61.532.168,59	-
OUTROS	16.466.080,03	46.112.945,11	62.579.025,14	40.899.963,65	21.679.061,49
<b>TOTAL - MOEDA ESTRANGEIRA</b>	<b>944.906.143,34</b>	<b>380.133.021,73</b>	<b>1.325.039.165,07</b>	<b>462.890.031,51</b>	<b>862.149.133,56</b>

<b>EM MOEDA NACIONAL</b>	-	-	-	-	-
BANCO ITAÚ - BBA II	8.288.537,18	214.814.055,84	223.102.593,02	-	223.102.593,02
ELETRORÁS I	16.763.552,90	112.449.160,79	129.212.713,69	108.075.205,31	21.137.508,38
ELETRORÁS II	49.708.568,97	13.220.076,60	62.928.645,57	62.928.645,57	-
ELETRORÁS III	25.676.008,61	98.296.083,12	123.972.091,73	22.698,66	123.949.393,07
DEBÊNTURES II - GOVERNO DO ESTADO DE MINAS GERAIS (4)	-	55.404.074,99	55.404.074,99	55.404.074,99	-
GRANDES CONSUMIDORES - TELEMIG/ C.V.R.D.	3.508.175,12	5.661.382,56	9.169.557,68	-	9.169.557,68
BNDES (3)	99.027.761,80	313.155.969,16	412.183.730,96	412.183.730,96	-
UNIBANCO	102.979.654,48	-	102.979.654,48	102.979.654,48	-
HSBC I E II	31.642.181,54	-	31.642.181,54	15.565.385,73	16.076.795,81
BRADESCO II, III, IV E V	209.266.586,96	-	209.266.586,96	16.745.966,02	192.520.620,94
OUTROS	16.251.118,13	48.181.749,13	64.432.867,26	15.275.151,85	49.157.715,41
<b>TOTAL - MOEDA NACIONAL</b>	<b>563.112.145,69</b>	<b>861.182.552,19</b>	<b>1.424.294.697,88</b>	<b>789.180.513,57</b>	<b>635.114.184,31</b>
<b>TOTAL GERAL</b>	<b>1.508.018.289,03</b>	<b>1.241.315.573,92</b>	<b>2.749.333.862,95</b>	<b>1.252.070.545,08</b>	<b>1.497.263.317,87</b>

▪ **Funds linked to loans and financings (short and long-term)**

These are funds applied for amortization of loans and financings (foreign currency) linked to the activities of electricity generation, transmission and distribution, in accordance with Brazilian Central Bank Resolution 2515 of 29 June 1998.

▪ **Post-employment obligations (short and long-term)**

Debt assumed by Cemig, related to supplementation of retirement and other post-employment benefits, recorded on the basis of actuarial calculations.

○ **Transfer of operational goods, rights and obligations**

The goods, rights and obligations transferred from Cemig's generation, transmission and distribution establishments to the wholly-owned subsidiaries Cemig Geração e Transmissão S.A. and Cemig Distribuição S.A., are necessary for the carrying out of the objects of the subsidiary companies and are, thus, all operational.

The Board of Directors proposes to submit to approval of the General Meeting of stockholders the following proposals:

1 - To ratify the transfer, from Cemig to the wholly-owned subsidiary Cemig Geração e Transmissão S.A., of the debt relating to the two issues of debentures subscribed by the State of Minas Gerais, the proceeds of which were invested in the construction of the Irapé Hydroelectric power plant.

2 - To ratify the maintenance of the counter-guarantee offered by the State of Minas Gerais to the Federal Government of Brazil for the debt contracted by Cemig and payable to KfW (financing for the transmission project for the Jequitinhonha Valley), the Inter-American Development Bank (IABD contract 176 BR) and for the debt arising from the restructuring of the foreign debt which gave rise to the Contract for Acknowledgment and Consolidation of Debt signed under Resolution 98/1992, of the





Brazilian Senate, transferred to the wholly-owned subsidiaries Cemig Geração e Transmissão S.A and Cemig Distribuição S.A..

3 – To ratify the approval of the transfers which are the subject of the Extraordinary General Meeting held on 30 December 2004, the individual amounts of which are greater than or equal to 20 (twenty) times the minimum limit established by the bylaws for authorization by the Board of Directors of Companhia Energética de Minas Gerais.

As can be seen, the aim of this proposal is to meet legitimate interests of the stockholders and of the Company, and for this reason the Board of Directors expects that it will be approved by you, the stockholders.

Belo Horizonte, 2 February 2005.

Wilson Nélio Brumer – Chairman

Haroldo Guimarães Brasil – Member

Djalma Bastos de Moraes – Vice-Chairman

José Augusto Pimentel Pessoa – Member

Aécio Ferreira da Cunha – Member

José Luiz Alquéres – Member

Alexandre Heringer Lisboa – Member

Maria Estela Kubitschek Lopes – Member

Andréa Paula Fernandes – Member

Nilo Barroso Neto – Member

Antônio Adriano Silva – Chairman

Antônio Luiz Barros de Salles – Member

Carlos Augusto Leite Brandão – Member

Francelino Pereira dos Santos – Member