





Companhia de Desenvolvimento Econômico de Minas Gerais - CODEMIG

# MANAGEMENT REPORT

Period:  
January 2015 to  
June 2016

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January 2015 to June 2016



# TABLE OF CONTENTS

1. Minas Gerais.....	6
Macroeconomic data.....	8
2. Profile.....	11
Codemig.....	12
Mission, Vision and Values.....	13
Performance diversity.....	14
Development strategies.....	16
Strategic rationale.....	20
Strategic map.....	21
Development strategic actions.....	22
Planting the Future.....	23
3. Main indicators.....	26
4. High Technology Industry.....	33
5. Creative Industry.....	43
6. Mining, Energy and Infrastructure Industry.....	61

# MINAS GERAIS

MODERN, DYNAMIC  
AND DIVERSIFIED **ECONOMY**

# MINAS GERAIS

Rich in natural resources, favored by its privileged geographic position and with availability of infrastructure and qualified labor, the State offers a broad array of advantages and investment opportunities.



# MACROECONOMIC DATA



## **Brazil's 3rd largest economy**

USD 133 billion of Gross Domestic Product (GDP)\*

Comparable to Chile or Czech Republic

## **20.6 million inhabitants**

Comparable to Australia's population

## **587,000 km<sup>2</sup>**

Bigger than France or Germany

## **Capital: Belo Horizonte**

3rd biggest city in the country

\*Information and Indicators - 2014.

Source: Portal Minas em Números; Secretaria de Desenvolvimento Econômico de Minas Gerais (SEDE).

# MACROECONOMIC DATA



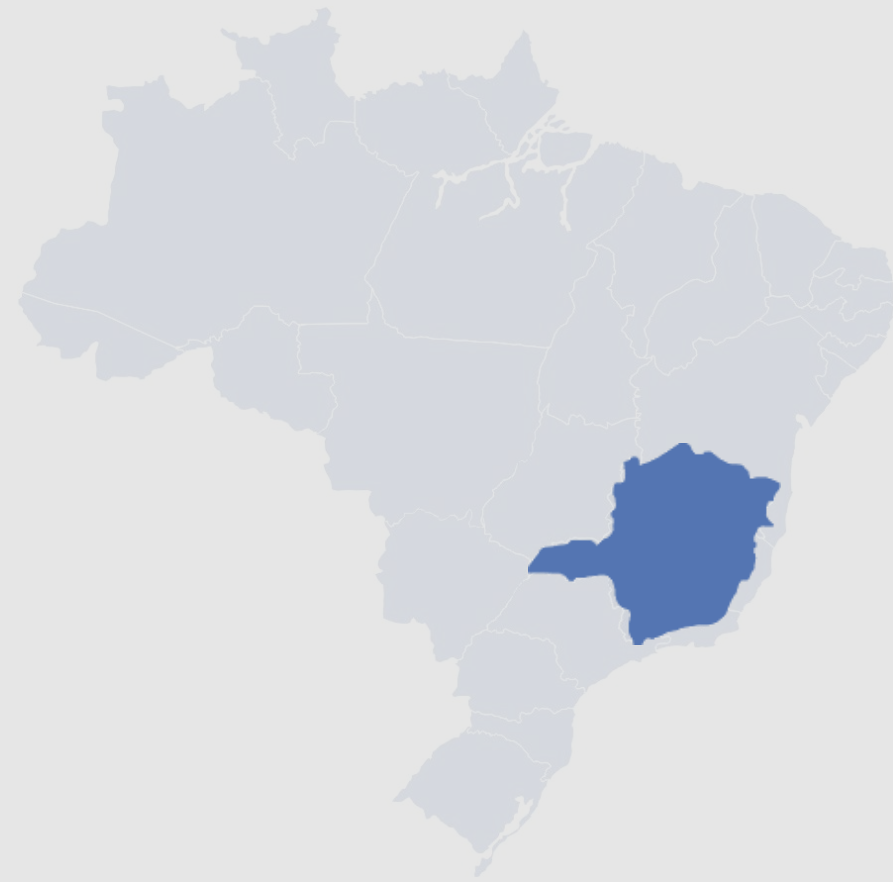
**Brazil's 2nd biggest exporter**  
13.8% of the total exported\*

**30,000 km of roads and highways**  
Brazil's biggest roadway network

**853 municipalities**

**11 federal universities**  
Highest number of federal universities in a Brazilian state

# MACROECONOMIC DATA



**2nd biggest state in number  
of active companies**

Over 3 million companies, micro and small

**R\$ 14.3 billion in annual  
collection**

2nd biggest state in tax collection

\*Information and Indicators - 2015.

Sources: Empresômetro - Confederação Nacional do Comércio (CNC), Secretaria da Micro e Pequena Empresa (SMPE) e Instituto de Planejamento e Tributação (IBPT); Portal Minas em Números.



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# CODEMIG PROFILE

MINAS GERAIS ARE MANY.  
**SO IS CODEMIG.**



# CODEMIG,

Companhia de Desenvolvimento Econômico de Minas Gerais,  
is a public company created in 2003 and controlled by the Government.  
In 2015, it reviewed its performance focus, in conformity  
to the innovative guidelines of the State Government.

## **Mission**

To be a public company committed to the sustainable economic growth of Minas Gerais, ensured through the development of integrated and innovative solutions in partnership with the private sector.

## **Strategic Vision**

To be a public company acknowledged as an important inductor in the economic development of Minas Gerais, in partnership with the private sector.

## **Values**

Ethics | Development | Transparency | Partnerships

# PERFORMANCE DIVERSITY

Codemig guides its actions through  
three big strategic axes:

**HIGH TECHNOLOGY INDUSTRY**

**CREATIVE INDUSTRY**

**MINING, ENERGY AND INFRASTRUCTURE INDUSTRY**



# PERFORMANCE DIVERSITY

**Its investments and projects comprehend multiple segments, such as:**

Niobium and rare earth extraction  
Geological and geophysical survey  
Mineral Waters  
Ornamental Rocks  
Strategic Materials  
Energy  
Aerospace  
Defense  
Biotechnology  
Life Sciences  
Internet of Things - IoT  
Machine to Machine - M2M

Telecommunications  
Semiconductors  
Industrial districts  
Leisure tourism  
Business tourism  
Fashion  
Jewelry design  
Audiovisual  
Music and performing arts  
Gastronomy  
New medias



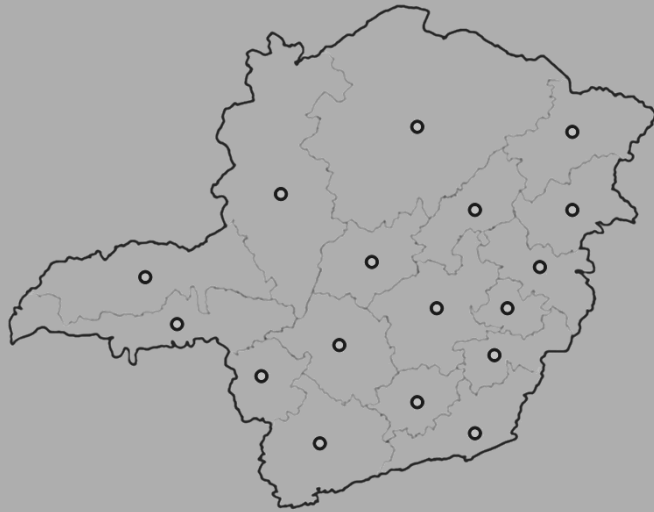




## **DEVELOPMENT STRATEGIES** **TO ESTABLISH** **PARTNERSHIPS**

To establish strategic partnerships with companies from the private initiative.  
Subsidy of up to 49% of the venture's capital.





# DEVELOPMENT STRATEGIES TO DECENTRALIZE ACTIONS

To identify investment  
opportunities in all regions  
of the State.



# **DEVELOPMENT STRATEGIES** **TO EXPAND AND** **ADEQUATE THE** **INVESTMENTS** **PORTFOLIO**

To expand investments, balancing risk and maturing time.

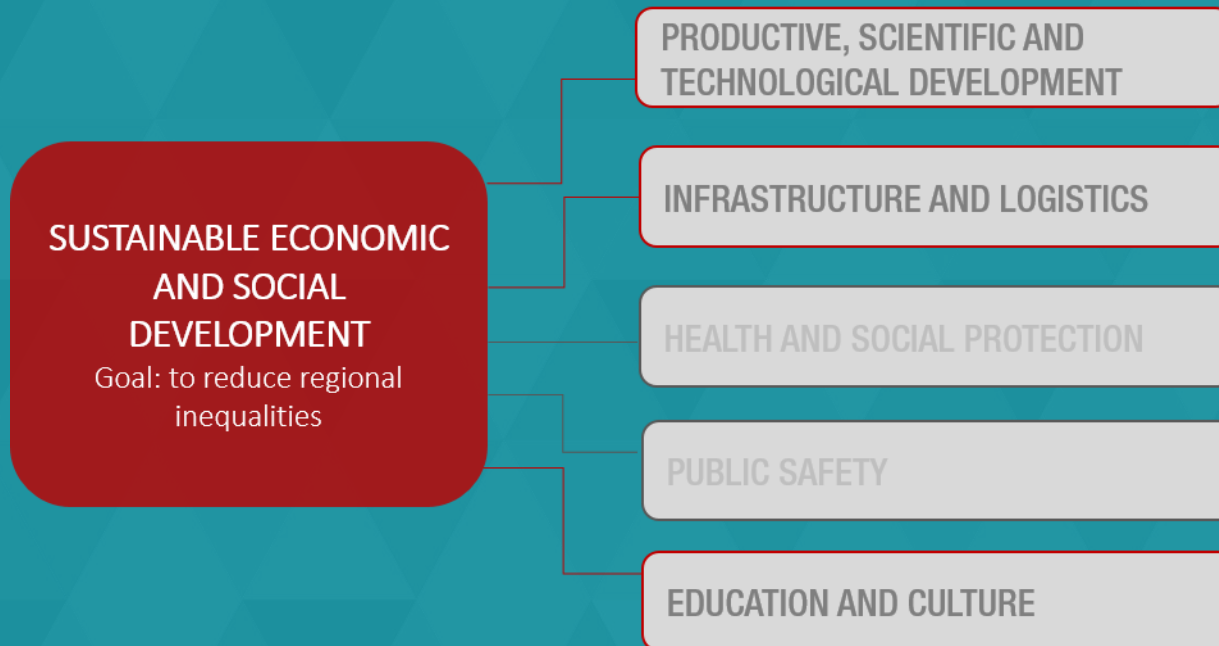


## **DEVELOPMENT STRATEGIES TO FACILITATE ACCESS TO CREDIT**

To create business mechanisms and models to facilitate access to funding for companies of Minas Gerais.

# CODEMIG STRATEGIC

## PERFORMANCE RATIONALE



# STRATEGIC MAP



## SOCIETY PERSPECTIVE

To contribute for the generation of jobs and income in the State of Minas Gerais

To work to reduce the regional differences of the State of Minas Gerais



## FINANCIAL PERSPECTIVE

To optimize the operational and financial result

To contribute for the sustainable development of the State of Minas Gerais

Financial solidity and productivity gains



## PERSPECTIVE OF IMAGE AND MARKET

To allocate resources for investments in industrial projects and/or technological innovation

To support projects of the creative industry



## PERSPECTIVE OF INTERNAL PROCESSES

To ensure the good management of investments

To reduce the exposure to financial and operational risks

To ensure the efficacy and efficiency of processes

To establish strategic partnerships and new business models



## PERSPECTIVE OF LEARNING AND GROWTH

To improve communication with trust and uniformity of information

To develop critical skills

To ensure the retention and dissemination of knowledge

To have a good organizational climate

To develop talents and leaders

To renew the organizational culture

# STRATEGIC DEVELOPMENT ACTIONS

- ✓ NEW WAY OF PERFORMING
- ✓ NEW WAY OF COMPANY MANAGEMENT
- ✓ NEW BUSINESS MODELS
- ✓ PARTNERSHIPS TO MAKE NEW INVESTMENTS
- ✓ FOCUS ON STRATEGIC SEGMENTS TO MINAS GERAIS

**All actions are proofs of Codemig's commitment to the economic development of the State and the well-being of its citizens.**





# PLANTING THE FUTURE

Idealized by the Minas Gerais State Government, and coordinated by Codemig, Planting the Future is a project that aims at planting 30 million trees, of various species, in 20 thousand hectares, until December 2018.

# PLANTING THE FUTURE

## Over R\$8 million invested

The project aims to recover 40,000 wellsprings, 6,000 hectares of riparian woods and 2,000 hectares of gullies

## 21st Climate Conference - COP-21

One of the four Brazilian projects selected for exhibition in the Cities and Regions Pavilion of the Transforming Actions Program (TAP) at COP-21

## Partnership with civil society

Work groups formed by representatives of secretariats, State companies and other agencies, in addition to partners of the private sector, municipalities, rural producers, NGOs, associations and other entities



# PLANTING THE FUTURE

## **Ribeirão Serra Azul**

Bidding Announcement for the planting of 250,000 seedlings of native trees and recovery of 48 wellsprings throughout the affluents of the stream

## **Agreement with Instituto Espinhaço**

for the production of 3 million trees of the Atlantic Rainforest and of the Cerrado bioma

## **Agreement with Centro Cultural Francisco Veras**

It will allow the purchase and structuring of seeding nurseries. The forecast is to produce 2.88 million seedlings to cover an area of 2.6 thousand hectares



PLANTING  
THE FUTURE



# MAIN INDICATORS

TRANSPARENT, **RESULTS-FOCUSED**  
MANAGEMENT

## Financial Capability

One of the Company's income sources is the participation, with CBMM, in the operation of the mining resources held by the Company in the municipality of Araxá/MG for niobium exploration.

Codemig's gross revenue reached **BRL 995 million**, with a 27% increase compared to 2014. The net revenue was **BRL 675 million**, with a 25% growth compared to the previous period.

General and administrative expenses summed **BRL 197 million** in 2015, with a growth of approximately 2% compared to 2014.

# MAIN INDICATORS

Gross revenue  
BRL 995 million

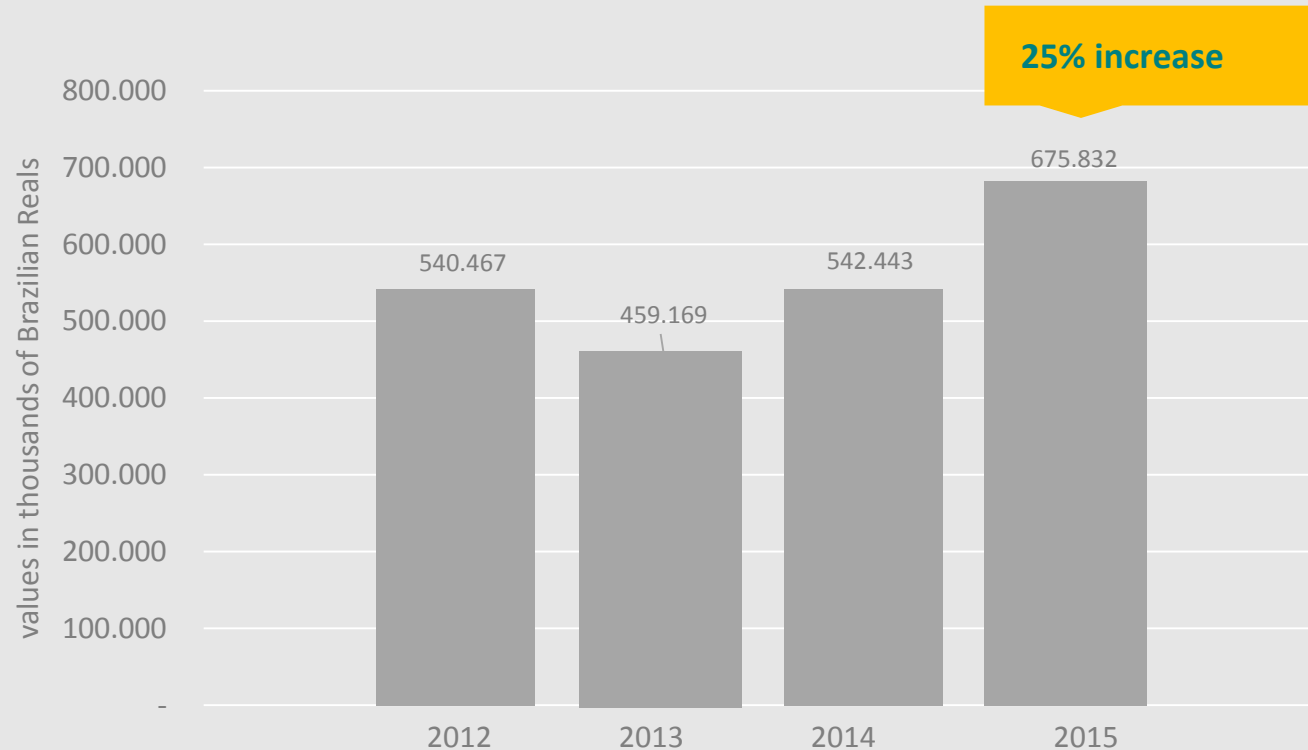


\*Consolidated data of 12/31/2015



# MAIN INDICATORS

Net revenue  
BRL 676 million

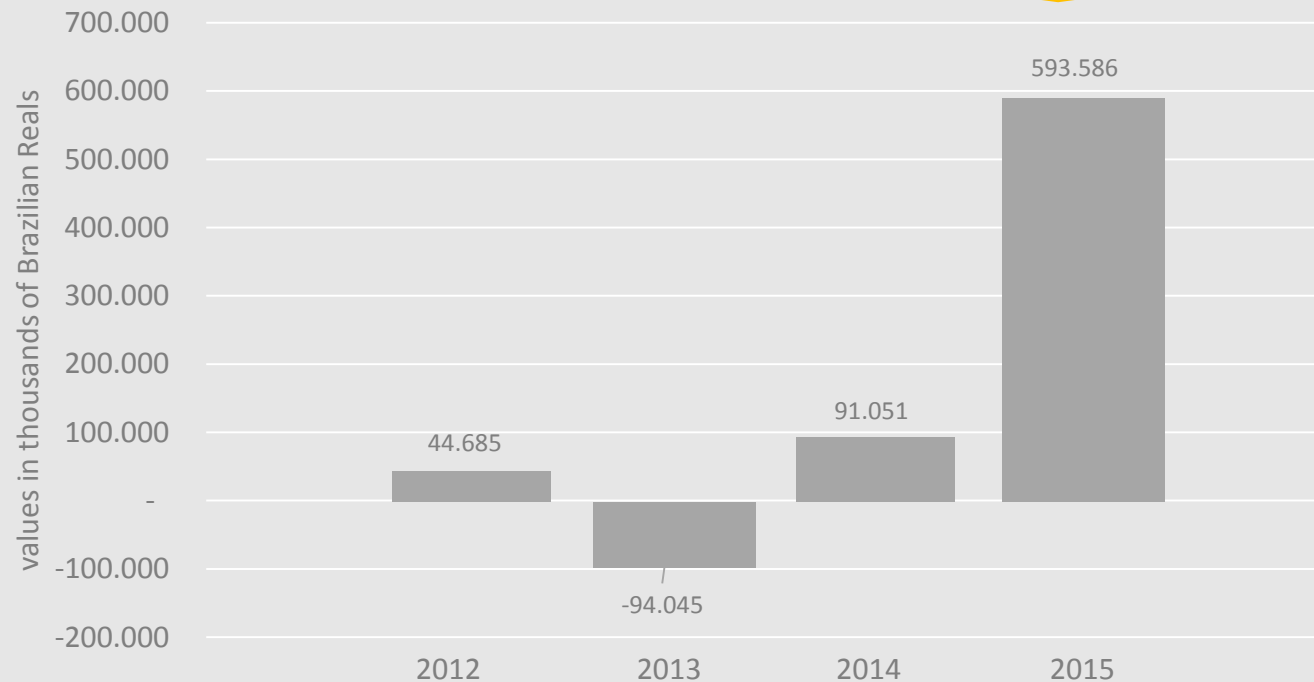


\*Consolidated data of 12/31/2015

# MAIN INDICATORS

Net profit  
BRL 593 million

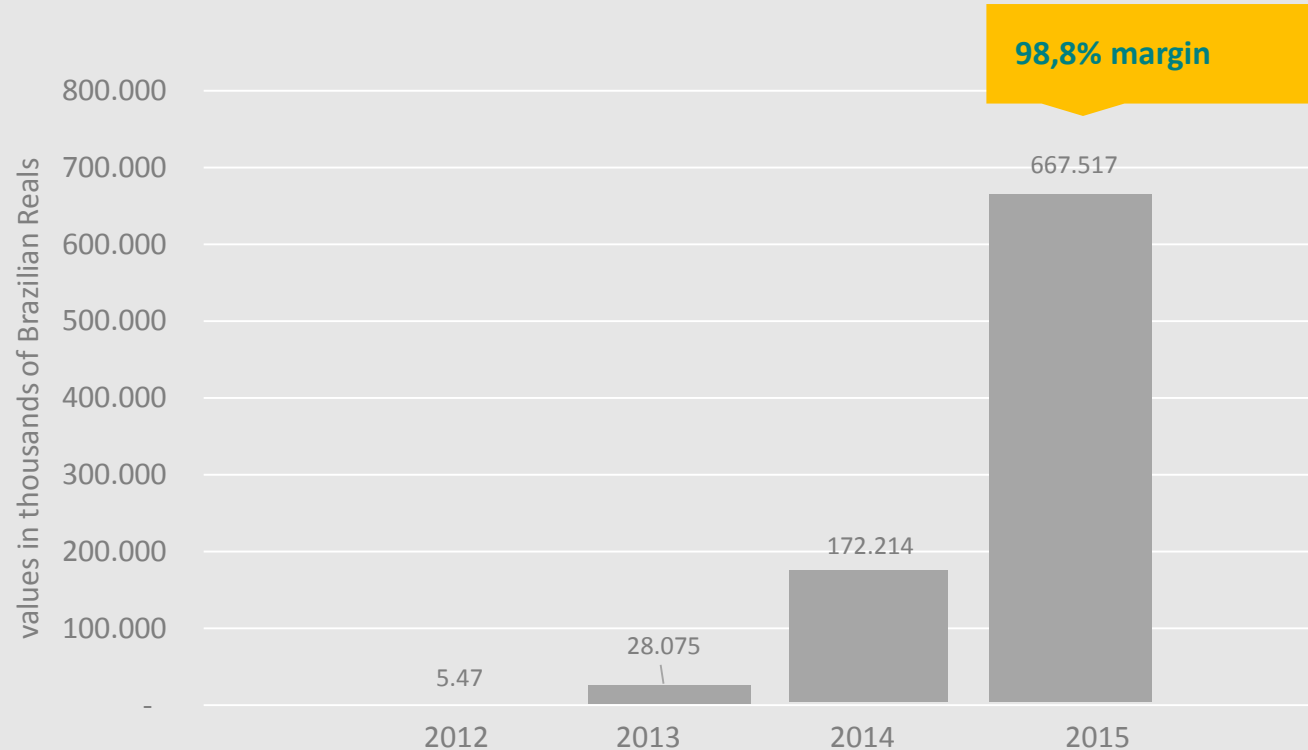
552% increase and 87,9% net margin



\*Consolidated data of 12/31/2015

# MAIN INDICATORS

**EBITDA**  
BRL 667 million



\*Consolidated data of 12/31/2015

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# HIGH TECHNOLOGY INDUSTRY

ECONOMIC DEVELOPMENT  
FOR THE STATE AND **VALUE**  
**ADDITION** FOR THE COMPANY

# FOSTERING HIGH-TECH INDUSTRY

Through strategic partnerships, new business models, institutional support, incubation of companies and investments, this strategic axis of Codemig is valuing the implementation of projects and new opportunities in the niche of high technology and innovation.

## **Strategic Materials**

Niobium | Titanium | Graphene | Silicon chain | Photovoltaics | Organics  
Rare earths

## **Aerospace and Defense**

Turbines Development and Production | Turbines MRO  
Helicopters Production | Additive industry

## **Biotechnology and Life Sciences**

Oncology drugs | Vaccines | Antiretroviral | Tests

## **IoT, M2M, Telecom and Semiconductors**

Internet of Things | M2M | Telecom | Semiconductors and integrated circuits | Boards and components

# CODEPAR

## CODEMIG PARTICIPAÇÕES

Through its integral subsidiary, Codepar, and in partnership with the private initiative, Codemig has invested in **strategic companies and segments** to Minas Gerais, through the **purchase of shares**, allowing a series of integrated and innovative solutions.



## THE ONLY BRAZILIAN HELICOPTERS MANUFACTURER

Itajubá/MG

Responsible for production, sale and post-sale in Brazil Airbus Helicopters aircrafts, the world's biggest supplier in the sector

Primary investment for capital increase:  
25% of the voting capital



## **RANKED BY THE MINISTRY OF DEFENSE AS “EED” (STRATEGIC DEFENSE COMPANY)**

**São José da Lapa/MG**

**Aircrafts maintenance and repair**

**Primary investment for capital increase:  
15% of the voting capital**



## EXCLUSIVE PARTNERSHIP WITH VODAFONE UK

### Belo Horizonte/MG

One of the pioneer companies to operate in Brazil as a Mobile Virtual Network Operator (MVNO). Solutions in Machine to Machine (M2M), Internet of Things (IoT), in addition to traditional voice and broadband services.

Primary investment for capital increase:  
36% of the capital (committed up to 45%)

## THE ONLY INVESTMENTS BANK FROM MINAS GERAIS

Belo Horizonte/MG

Oriented to carry out operations of medium companies from Minas Gerais, the companies which generate the most jobs in the State

Primary investment for capital increase:  
47.66% of the voting capital

# INVESTMENT FUNDS

In 2015, bidding announcements were opened for the selection of investment fund managers intended for the fomentation of strategic regions and sectors of Minas Gerais.

Taxas de referência

Taxas MMI

UE11 — Taxa Refi  
Reino Unido — Taxa Base  
EUA — Taxa Fed Funds  
Euribor 3 meses  
Euribor 6 meses

fdp

fdp

fdp

fdp

fdp

3,25

4,00

1,75

3,29

3,26

2,75

4,00

1,25

2,87

2,80

2,00

3,50

1,25

2,13

2,17

3,75

1,25

2,17

2,25

2,25

Fonte: Reuters

EXAME NOVEMBRO 2003

# INVESTMENT FUNDS

The procedures for the creation of the following funds were initiated:

## **FIDC - Investment Fund for Credit Rights**

Designed for companies participating in the Local Productive Arrangement (APL) of the region of Santa Rita do Sapucaí/MG, a technological pole known as the Electronics Valley.



# INVESTMENT FUNDS

The procedures for the creation of the following funds were initiated:

## **FIP - Aerotec**

Participations Investment Fund destined to the fomentation of the air-spatial ecosystem of Minas Gerais and of the air-spatial and high technology industry in Minas Gerais.



5

# CREATIVE INDUSTRY

INVESTING IN WHAT  
MINAS GERAIS DOES **BEST**



# FOSTERING CREATIVE INDUSTRY

In 2015, Codemig makes a great leap and starts investing in Creative Economy. The Creative Industry of Minas Gerais encompasses the creation, production and distribution of assets and services based on ideas as source of competitive advantage.

# CREATIVE ECONOMY

## PILLARS OF THE PRODUCTIVE CHAIN





# MINAS DE TODAS AS ARTES

**CODEMIG INCENTIVE PROGRAM  
TO THE CREATIVE INDUSTRY**

The Program has the purpose of working in this segment as a strategic instrument in the economic development of the State.



**MINAS DE  
TODAS AS ARTES**

**CODEMIG INCENTIVE PROGRAM  
TO THE CREATIVE INDUSTRY**

# CINEMINAS

## CODEMIG PROGRAM FOR MOVIES SUPPORT

To implement movie exhibition complexes, creating and refurbishing theaters rooms (screens) in the State

18 municipalities selected

The municipalities were chosen according to the population (from 28,000 to 100,000 inhabitants), lack of movies in the location and strategic regions of the State



**MINAS DE  
TODAS AS ARTES**

**CODEMIG INCENTIVE PROGRAM  
TO THE CREATIVE INDUSTRY**

# **PUBLIC CALLS**

## **FOR FOSTERING AND INCENTIVE**

**Until the end of 2018, over BRL 20 million will be invested in calls for fomentation and incentive**

**Audiovisual Call: 137 proposals were enrolled and 18 of them were contemplated, divided into 6 categories**

**Ancine Audiovisual Call: 5 fiction feature film projects were enrolled and 2 of them shall be contemplated**





**MINAS DE  
TODAS AS ARTES**

**CODEMIG INCENTIVE PROGRAM  
TO THE CREATIVE INDUSTRY**

# MAX 2016

**MINAS GERAIS AUDIOVISUAL EXPO | June 1<sup>st</sup> to 5<sup>th</sup> | Belo Horizonte**

Event for the promotion of the cinematographic production  
of Minas Gerais for the national and international markets

Over BRL 200 million in businesses generated

Over 3500 participants

450 business meetings

141 future schedulings



# MINAS TREND

Part of the Minas Gerais fashion industry chain – clothes, shoes, purses and accessories, jewelry, imitation jewelry, Minas Trend is one of the big Brazilian fashion events. One of its differentials is gathering, in the same environment, fashion shows and business salon.



# MINAS TREND

16<sup>th</sup> AND 17<sup>th</sup> EDITIONS

**Over 10,000 national and international buy**

The 17th edition of Minas Trend had the purpose of generating businesses, not being open to the general public, but to shop owners, buyers, national and international journalists and opinion makers

**Over BRL 2 million in business volume from international buyers**

and a business forecast in the next 12 months up to BRL 3.8 million

# P7 CRIATIVO

## CREATIVE ECONOMY AND ENTREPRENEURISM POLE

### Revitalization of a building designed by Niemeyer

The building of the former Bemge will receive innovation companies from Minas Gerais in the areas of Communication and Information Technology (CIT) and Creative Economy

### Over BRL 57 million to be invested

and forecast for the generation of 1,625 direct jobs

### Various segments in only one place

CIT, Education, Architecture, Publicity, Audiovisual, Design (fashion, furniture, jewels) and Financial





# FOSTERING TOURISM INDUSTRY

Codemig is responsible for the administration and maintenance of important assets of the State of touristic quality. For 2015, Codemig received the mission of hiring the Strategic Tourism Plan of Minas Gerais, in partnership with Fundação João Pinheiro and the State Tourism Secretariat.



A stylized graphic of a smartphone frame with rounded corners and a double-line border. At the top center, there is a small circle and a dot, resembling a camera or sensor. The background of the frame is a solid light gray.

# VISIT MINAS GERAIS

APP FOR SMARTPHONES,  
TABLETS AND DESKTOPS

Over 3,500 accesses online

A modern, dynamic and interactive tool  
presenting various natural beauties,  
historic riches and gastronomic delights  
of the State.

# EXPO MILANO 2015

## BRAZIL PAVILION

### **3<sup>rd</sup> biggest worldwide event**

The participation of Codemig in Expo Milano 2015 contributed for the projection of the State in the international scenario, disclosing their new development model

### **300,000 people in the Minas Gerais Pavilion**

87 participants of the Minas Gerais Week Opening Seminar in Milano, 54 business meetings, 2 technical-business workshops and 11 technical visits

### **Seminars for investment attraction**

Creative Economy and CIT, Tourism and Autoparts

# **HOTEL MANAGEMENT**

## **REVITALIZATION AND MODERNIZATION PROGRAM**

### **BRL 7.2 million**

to the conservation and refurbishment of Grande Hotel de Araxá, Palace Cassino and Thermas Antônio Carlos and Lambari Cassino

### **BRL 2.4 million in royalties**

in 2015 resulting of the leases of Grande Hotel de Araxá, Palace Cassino, Hotel da Previdência and Balneário Gabriel Passos.

### **22% increment**

compared to the 2014 revenues



# EXPOMINAS

## FAIRS AND EVENTS CENTERS

**Important asset for induction to regional development**

Located in Araxá, Juiz de Fora, Belo Horizonte and Teófilo Otoni

**BRL 43.3 million invested**

BRL 3 million in the construction works of the new Expominas Araxá;

BRL 35 million in the construction of Expominas São João del-Rey and

BRL 5,3 million to the works of reconstruction of the Arena in Expominas Belo Horizonte

# INDUSTRIAL DISTRICTS

Codemig is responsible for the management of 53 Industrial Districts, located in 44 municipalities of Minas Gerais. In 2015, in a partnership with FIEMG and with SEBRAE/MG, the Industrial Districts Revitalization and Modernization Program was launched.



# INDUSTRIAL DISTRICTS

## REVITALIZATION AND MODERNIZATION PROGRAM

**The program aims at making the State more attractive and with better conditions of competitiveness and diversity for the Industry. It shall last four years.**

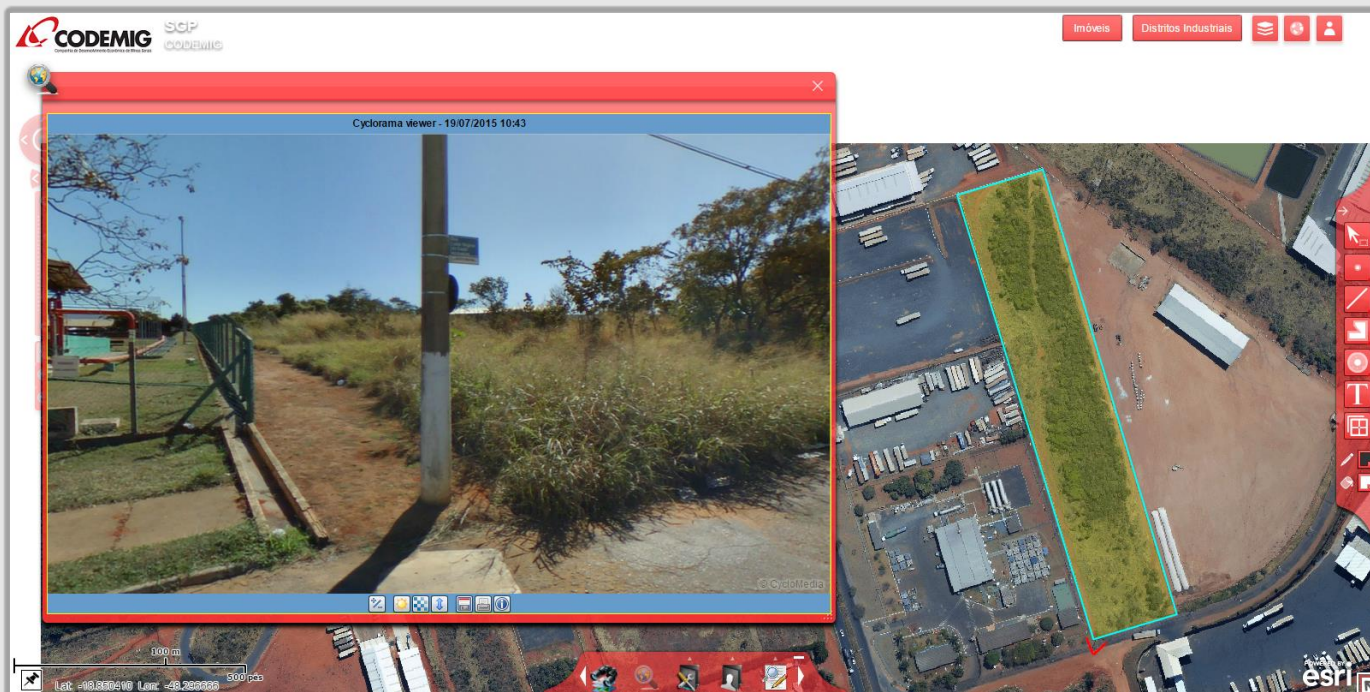
**In 2015, over BRL2.8 million invested**  
in cataloging, air and land mapping, update of companies' data, in addition to socioeconomic analysis of the districts. Delivery of the Revitalization and Modernization Plan of the Coronel Juventino Dias District, in Contagem/MG.



# INDUSTRIAL DISTRICTS

## REVITALIZATION AND MODERNIZATION PROGRAM

### Patrimonial Management System (SGP)



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# MINING, ENERGY AND INFRASTRUCTURE INDUSTRY

VALUING THE STATE'S MINERAL  
**POTENTIAL**, PERFORMING IN THE  
GENERATION OF ENERGY AND  
ADDING NEW REVENUES

The background image is a silhouette of a large mining excavator bucket in the process of dumping its load. The bucket is positioned diagonally across the frame, with its arm extending from the upper left towards the lower right. A large, dark, textured mass of material is being discharged from the bucket's opening, creating a dynamic sense of movement. The entire scene is set against a warm, golden-brown sky, likely during sunset or sunrise, with soft, wispy clouds visible. The lighting creates a strong contrast between the dark silhouette of the machinery and the bright, glowing sky.

# MINING

Codemig has in mining its main source of revenues, mainly, that related to niobium exploitation, in Araxá, in a partnership with Companhia Brasileira de Metalurgia e Mineração – CBMM.

# RARE EARTH

## RESEARCH AND DEVELOPMENT OF DOUBLE SULFATES AND HYDROXIDES PRODUCTIVE PROCESSES

**The 1st laboratory-factory of magnets of rare earth in Brazil** is going to be installed in Minas Gerais. The venture is being carried out through the Codemig and developed by Certi, in a partnership with the Federal University of Santa Catarina and the IPT.

Key components of applications, such as air-generators and the electric engines for industrial machines, electric appliances, elevators and hybrid and electrical cars, the magnets of rare earth are important assets for the increase of energetic efficiency.



# RARE EARTH

## RESEARCH AND DEVELOPMENT OF DOUBLE SULFATES AND HYDROXIDES PRODUCTIVE PROCESSES

### **Rare earth produced in Araxá**

Its advantage is to be practically a byproduct of niobium exploitation. This lowers the industrial cost and increases the prices competitiveness, regarding those which only exploit rare earths.

### **Approximately 20 technical experts**

dedicated to the project.

### **Laboratory-factory**

Annual capacity of 100 tons of magnets. It shall be raised at an estimated cost of BRL 80 million, throughout 2017, in an area the company already has in the Metropolitan Region of Belo Horizonte.

# **GEOLOGICAL MAPPING**

## **MINAS GERAIS TERRITORY GEOREFERENCE**

### **Projeto Triângulo Mineiro**

#### **[Minas Gerais Triangle Region Project]**

The geological bases were produced, elaborated by the team of post-graduation students and professors of UFMG, with investments of BRL 691 thousand, on the region of studies of the project.

### **Projeto Fronteiras de Minas**

#### **[Minas Frontiers Project]**

Production of Final Geological Maps and Geographic Information Systems of the 39 cartographic sheets comprising the project, in the amount of BRL 396 thousand.

# CODEÁGUAS

Codemig is the owner of various sources of mineral waters natural of Minas Gerais, with highlights to the waters of Araxá, Caxambu, Lambari and Cambuquira.



# OIL AND NATURAL GAS

## RESEARCH AND DEVELOPMENT

**Over BRL 30 million invested to date**

in geology and geophysics activities of exploitation blocks SF-T-104, 114, 120, 127, 132 and REC-T-163.

**Studies and research in natural gas**

are being performed in the municipality of Morada Nova de Minas, in the São Francisco Basin, such as efforts for the search of energy sufficiency in this type of combustible.

# THANK YOU!

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[www.codemig.com.br](http://www.codemig.com.br)