

CMS ENERGY

A Diversified Energy Infrastructure Company.

CMS ENERGY OCCUPIES A UNIQUE PLACE IN THE ENERGY INDUSTRY.

Our expertise is unmatched. It spans all fuels. It reaches across every stage, from exploration to transportation, production and distribution. It stretches from start to finish—financing, developing and operating.

This diverse experience is coupled with a tightly focused strategy:

- We concentrate our operations in strategic geographic growth regions with the political will and commitment to expand their economies and compete in the global marketplace. The biggest opportunities are in countries that have both a large unmet or fast-growing need for energy and a commitment to the infrastructure necessary to support development.
- We target projects that provide growth opportunities for a number of our businesses, not just stand-alone projects.
- We invest internationally with strong local partners and employ comprehensive risk management techniques.





North America

CMS Energy provides a breadth of electricity and gas capabilities matched by few others in the United States.

The energy chain starts with CMS Energy's exploration and production business, CMS Oil and Gas. Already active in the U.S. Gulf Coast, the company has expanded its drilling focus into the Mid-Continent and the Rocky Mountain regions, which will provide new gas supplies for the Panhandle and Trunkline pipelines.

CMS Oil and Gas is already the largest natural gas producer in northern Michigan's Antrim shale fields. The company has developed special production techniques to tap this unconventional gas source.

The gas is processed at CMS-operated facilities that also serve other producers. The plants exceeded design capacity in 1998, peaking at 357 million cubic feet per day.

The company is using its Antrim expertise with unconventional gas supplies to develop 500,000 acres in the Powder River Basin in Montana and Wyoming. Natural gas will be produced from fractured coal seams and then will be directed into a new gathering system to be built and owned by CMS Energy.



*Consumers Energy
improved its
operating performance
while adding 48,000
new customers.*

Strong Transportation Link to Markets

CMS Energy's extensive gathering, processing, storage and transportation network moves natural gas from the Mid-Continent, Gulf Coast and Canada to markets throughout the Midwest and eastern U.S.

Acquisition of the Panhandle Companies is an important addition. Built in part to serve Consumers Energy, its pipeline system is already connected to the utility's gas distribution and storage system in Michigan.

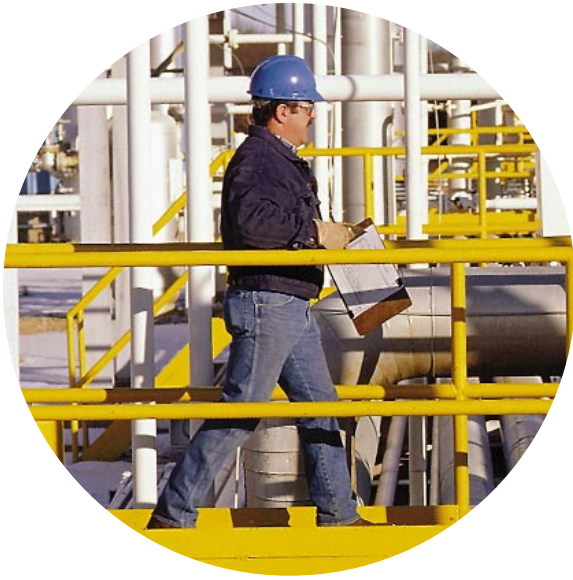
Its operations complement CMS Energy's purchase of Continental Natural Gas and Heritage Gas Services earlier in 1998. These companies purchase, gather, process and market natural gas and natural gas liquids produced in Texas and Oklahoma.

A low-angle, close-up photograph of a male worker in a blue hard hat, safety glasses, and a blue long-sleeved shirt. He is wearing tan work gloves and is turning a large, circular metal valve wheel on a complex industrial gas pipeline. The pipeline is made of large-diameter metal pipes with numerous flanges, bolts, and other valves. In the background, a large white cylindrical storage tank is visible, with the letters 'V-1' painted on its side. The scene is set outdoors under a clear sky, with the lighting suggesting late afternoon or early morning. The entire image is framed by a thin white border.

NORTH AMERICA

Leading the Midwest

CMS Energy has become the premier energy company in the Midwestern United States. With the acquisition of the Panhandle Companies, the CMS gas system covers the complete spectrum, from production to end markets.





IN OPERATION

UNDER
DEVELOPMENT



Driven by a strong economy, Consumers Energy's electric deliveries increased 6 percent.



The nonutility gas transmission system grew as a result of acquisitions in the U.S.

The proposed TriState pipeline progressed in 1998, signing long-term transportation agreements for about two-thirds of its projected capacity. TriState will connect the Chicago area with Michigan and pipelines moving natural gas to eastern U.S. markets.

Utility Operations

The cornerstone of CMS Energy's domestic operations continues to be Consumers Energy. The company provides electricity and natural gas to 3.2 million customers throughout the state's Lower Peninsula.

Consumers Energy improved its operating performance again in 1998. Operating and maintenance expenses ranked among the lowest of the nation's large utilities. Gas leak response time—already an industry benchmark—improved to an average of 27 minutes.

Driven by a strong Michigan economy, electric deliveries rose 6 percent to 40 billion kilowatt-hours. The warmest winter weather since 1921 depressed the heating market and gas sales. Gas deliveries declined 14 percent to 360 billion cubic feet.

Consumers Energy successfully completed the first year of a pilot program that tests natural gas deregulation. The experiment lets a limited number of customers shop elsewhere for their gas supply. Approximately 100,000 customers participated during 1998, the full amount allowed for the year.

In March 1999, the Michigan Public Service Commission issued a final order that phases in electric deregulation. Beginning this fall, a limited number of customers will be able to buy electricity from alternate suppliers. By 2002, all customers will be able to participate.

Energy Production

Consumers Energy's generating plants had excellent availability in 1998—86 percent at fossil plants and 81 percent at the Palisades nuclear plant.

A partnership led by CMS Energy's independent power generation business has started building the first large-scale power plant to be located in Michigan since 1990. This 710 megawatt plant will be located in Dearborn, at an automotive and steel manufacturing complex operated by Ford Motor and Rouge Steel. Excess electricity will be sold to industrial customers or utilities. The project includes a peaking turbine, scheduled to begin operating this summer.

Elsewhere in the state, CMS Energy plans to add about 250 megawatts of gas-fired peaking plants, for use primarily in summer months.

CMS Energy's existing independent power plants performed well last year. Its U.S. facilities total about 2,200 megawatts, with the majority of them located in the northeastern part of the country. Four of the plants set lifetime records for earnings and three set records for availability or capacity.

The 1,370 megawatt Midland Cogeneration Venture also marked a record year, setting a lifetime record for earnings and averaging 99 percent availability on its 1,240 megawatt contract to Consumers Energy.

Energy Marketing and Services

CMS Marketing, Services and Trading (CMS MST) dramatically increased the volumes of commodities marketed in 1998. The amount of electricity marketed increased eightfold from the previous year to about 7,000 gigawatt-hours, enough to power Boston, Atlanta and Detroit for one year. Other volumes included 370 billion cubic feet of natural gas, 22 million barrels of oil and nearly 1.2 million barrels of natural gas liquids.

The energy services business grew substantially, with 560 energy services assignments performed. The company also made inroads into new markets in Canada, Pennsylvania and the southeastern U.S. CMS MST has been active in Pennsylvania's deregulated electricity market, and in 1998 acquired the assets of an energy marketing firm that has more than 300 commercial and industrial customers in the western part of the state.



CMS Energy's marketing subsidiary sold nearly eight times as much electricity as the previous year.



SOUTH AMERICA

Delivering Progress

The recently completed GasAtacama pipeline carries natural gas from Argentina to a new power plant in northern Chile, bringing economically priced electricity for the first time to Chile's copper mining region.

South America

With its aggressive pursuit of energy privatization and important position in the 200 million population Mercosur market, Argentina has been a showcase for CMS Energy.

GasAtacama, the \$750 million pipeline and power plant project, is the most recent achievement. The pipeline carries, for the first time, natural gas from northern Argentina's production fields, 585 miles across the Andes Mountains to the Pacific coast of northern Chile. There, the gas fuels a CMS generating plant that will substantially lower the cost of electricity to the region. The pipeline was built in just 14 months.

The power plant's first unit will produce 355 megawatts; ultimately, the plant will be expanded to 740 megawatts. Customers include electric distribution utilities in the north and Minera Escondida, which is expanding operations to become the world's largest copper mine.

Between 50 and 60 percent of the pipeline's capacity is already under contract. In addition to the power plant, gas customers include Chilean distribution company Chilquinta S.A., which is planning to build a natural gas distribution system in the region.

CMS Energy also is part owner of the 3,100-mile Transportadora de Gas del Norte (TGN), one of Argentina's primary high-pressure pipeline systems. TGN expanded capacity by 17 percent in 1998 to 1.5 billion cubic feet per day. This spring, TGN will build a 270-mile pipeline connecting Argentina with Brazilian markets. It will be the first direct connection between pipeline systems in the two countries.

TGN also supplies gas to CMS Energy's Mendoza generating plant. In 1998, CMS completed refurbishing the plant and doubling its capacity to 540 megawatts. Four turbines were converted to natural gas and a high-efficiency combined-cycle gas turbine was installed.



CMS Energy's first greenfield plant in South America, CMS Ensenada, ran well in its first full year of operation.

CMS Energy's other Argentine generating plants are operating well. Plentiful water helped the El Chocon and Arroyito hydro plants operate at almost full capacity for the first half of 1998. CMS Ensenada completed its first full year of operation, supplying steam and electricity to YPF's largest Argentine refinery.

EDEERSA, CMS Energy's electric distribution company about 300 miles northeast of Buenos Aires, improved its operating performance. Although a cold summer and warm winter slowed energy sales, operating efficiencies reduced the impact of weather. EDEERSA saved \$1 million by reducing purchased power costs.



The Transportadora de Gas del Norte pipeline in Argentina has grown by 20 percent since 1992.

CMS Energy also completed its first full year of ownership interest in Brazilian electric distribution companies Cataguazes and Energipe. Their operating and maintenance cost per customer outperformed the average Brazilian utility's cost by 38 percent.

Cataguazes was named "Utility of the Year" by *Modern Electricity*, in recognition of commercial and technical performance and low energy losses. Energipe president Marcelo Silveira da Rocha was named the state of Sergipe's "Outstanding Executive of the Year" by a leading Brazilian business magazine.

CMS Energy also purchased the Venezuelan electric distribution company, SENECA. It serves over 90,000 customers on Margarita Island, which has a tourism-based economy. The utility acquisition included a 150 megawatt power plant.

Venezuela holds promise for the company's oil and gas exploration and production activities. Three newly completed wells in the Colon Block in western Venezuela helped push gross production in the block to more than 12,000 barrels of oil per day.

Performance in the Oriente Block in Ecuador was also outstanding. Production increased to 50,000 barrels of oil per day, limited by a lack of pipeline capacity, while production costs were held to \$2.36 per barrel.

SOUTH AMERICA



IN OPERATION

- 3,700 miles of pipeline
- 2,500 MW of electric generation
- 992,000 electric distribution customers
- 4 MMBoe of oil and gas production
- 39 MMBoe of oil and gas proved reserves

UNDER DEVELOPMENT

- 385 MW electric generation
- 270 miles of pipeline
- 10 bcf of gas storage



EUROPE

TURKEY

TUNISIA

MOROCCO

EL FRANIG BAGUEL PIPELINE

UNITED ARAB
EMIRATES

AFRICA

GHANA

EQUATORIAL GUINEA

CAMEROON

CONGO

AFRICA/ MIDDLE EAST



-  Oil and Gas Exploration and Production
-  Independent Power Plant
-  Natural Gas Processing
-  Energy Distribution

IN OPERATION

- 660 MW of electric generation
- 3 MMBoe of gas production
- 109 MMBoe of oil and gas proved reserves
- 100 miles of pipeline

UNDER DEVELOPMENT

- 2,000 MW of electric generation
- 2,500 tons per day of methanol production capacity
- 700,000 customer energy distribution company

Africa/Middle East

CMS Energy became the leader in Middle East power development in 1998 when it won a bid to finance, build and operate the first major energy privatization project in the United Arab Emirates (UAE).

Called Al Taweelah A-2, the project includes a 710 megawatt, natural gas-fueled plant, and a water desalination plant capable of producing 50 million imperial gallons of water per day. The first unit is expected to generate electricity in 2000. The project will help fill the UAE's soaring demand for water and electric power.

CMS Energy already has built a reputation in the region for energy privatization with its success at the Jorf Lasfar power plant in Morocco. In its first full year of operating the plant, CMS Energy has improved availability, efficiency, coal unloading, environmental compliance and safety. Plant availability exceeded 91 percent. Construction to more than double generating capacity is ahead of schedule and under budget. When the new units enter commercial operation in 2000, the 1,356 megawatt Jorf Lasfar plant will provide about one-third of the country's total electricity supply.

CMS Energy also completed a strategically important pipeline in southern Tunisia. The 100-mile pipeline provides, for the first time, an economical way to market production from CMS Energy-operated natural gas and condensate fields in the Sahara Desert. With a capacity of 45 million cubic feet per day, the pipeline can handle more than three times current production levels. Late in 1998, CMS Energy successfully tested one new well in the region, and is drilling a second.



The completion of a pipeline in Tunisia provided CMS Energy with an economical means to transport natural gas and condensate to market.

CMS Energy's principal oil production in Africa is from an area offshore of the Republic of Congo. The oil is pumped directly into a self-contained production vessel anchored at the site. The ship can store over 1 million barrels of oil, and offloads directly onto other ships for transportation to market. In 1998, Congo production totaled 1.5 million net barrels of oil equivalent, an increase of 2 percent; proved reserves totaled 18 million net barrels of oil equivalent.

CMS began building a \$400 million methanol plant in Equatorial Guinea; it is expected to begin operation in 2001. The plant will produce 2,500 metric tons of methanol per day, using existing natural gas reserves that are part of the Alba field operated by CMS Energy. Net production from the Alba field in 1998 grew to 1 million barrels of oil equivalent and 200,000 barrels of liquefied petroleum gas.



CMS Energy will co-own and co-operate the 330 megawatt Takoradi thermal power plant in Ghana, expected to begin commercial operation in 1999.

Asia/Australia

CMS Energy is the largest foreign energy developer in India, with two generating plants operating and two more in development.

The potential is enormous. India is already the world's sixth-largest energy consumer, and this market continues to expand despite the economic sluggishness affecting other parts of the region. Electric supply is about 30 percent below the country's steadily growing needs.

The GVK Industries gas-fired plant, which CMS Energy completed in 1997, was India's first internationally-owned and operated power plant. The CMS-operated plant finished its first full year of operation in 1998.

At year-end, CMS Energy began generating electricity ahead of schedule from its second plant, GMR Vasavi, in southeast India. Together, these plants total 435 megawatts of generating capacity.

ASIA/ AUSTRALIA

Storage Field

Independent Power Plant

LNG Terminal

INDIA

THAILAND

PHILIPPINES

Singapore

A U S T R A L I A

GOLDFIELDS PIPELINE

PARMELIA PIPELINE

Perth

Melbourne

IN OPERATION

- 2,400 MW of electric generation
- 1,100 miles of pipeline

UNDER DEVELOPMENT

- 3,100 MW of electric generation
- 6 bcf of gas storage



Construction will begin this year at the 250 megawatt Neyveli plant in southern India. CMS will operate the lignite coal-fueled plant when it begins commercial operation in 2001.

And at year-end, a CMS Energy-led consortium won a bid to build a \$1.6 billion power and LNG gasification facility on India's east coast. It is the largest energy infrastructure project in the state of Tamil Nadu. It includes an 1,886 megawatt gas-fueled plant and 2.5 million tons per year liquefied natural gas facility.

Elsewhere in Asia, the 300 megawatt National Power Supply plant in Thailand will be completed this spring. Located in an industrial park east of Bangkok, 60 percent of the plant's capacity will be sold to the Electric Generating Authority of Thailand under long-term contract. The remainder, as well as process steam, will be sold to industrial park tenants.

CMS also formed a partnership that purchased 88 percent of the 860-mile Goldfields pipeline system in western Australia. The pipeline can deliver 88 million cubic feet per day of natural gas into the country's nickel and gold mining region. With production costs that are among the lowest in the world, these mines are expected to provide a steady gas market. The Goldfields system complements CMS Energy's 260-mile Parmelia pipeline, which was the first to bring natural gas to the Perth metropolitan area.

The 2,000 megawatt Loy Yang plant completed a year of world-class performance. The plant established new lifetime standards in availability, capacity, forced outage rate and plant emissions. The Australian Environmental Protection Agency honored Loy Yang's environmental program with its highest recognition. And for the second straight year, the Australian National Safety Council gave the plant its highest rating.



*The Loy Yang plant
in Australia
achieved world-class
operating performance
in 1998.*