

ENERGY CO OF MINAS GERAIS
Form 20-F
June 30, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report: N/A

Commission file number 1-15224

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COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

(Exact name of Registrant as specified in its charter)

ENERGY CO OF MINAS GERAIS

(Translation of Registrant's name into English)

BRAZIL

(Jurisdiction of incorporation or organization)

Avenida Barbacena, 1200, Belo Horizonte, M.G., 30190-131

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class: | Name of exchange on which registered: |
|--|---------------------------------------|
| Preferred Shares, R\$5.00 par value | New York Stock Exchange* |
| American Depositary Shares, each representing 1 Preferred Share, without par value | New York Stock Exchange |
| Common Shares, R\$5.00 par value | New York Stock Exchange* |
| American Depositary Shares, each representing 1 Common Share, without par value | New York Stock Exchange |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

298,269,668 Common Shares
384,144,914 Preferred Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non accelerated filer

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Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

IFRS

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

* Not for trading but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

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PRESENTATION OF FINANCIAL INFORMATION

Companhia Energética de Minas Gerais CEMIG is a *sociedade de economia mista* (a state-controlled mixed capital company) organized and existing with limited liability under the laws of the Federative Republic of Brazil, or Brazil. References in this annual report to CEMIG, we, us, our and the Company are to Companhia Energética de Minas Gerais CEMIG and its consolidated subsidiaries, except when the reference is specifically to Companhia Energética de Minas Gerais CEMIG (parent company only) or the context otherwise requires. References to the *real*, *reais* or R\$ are to Brazilian *reais* (plural) and the Brazilian *real* (singular), the official currency of Brazil, and references to U.S. dollars, dollars or US\$ are to United States dollars.

We maintain our books and records in *reais*. We prepare our financial statements in accordance with accounting practices adopted in Brazil, including the principles that are established primarily through Law No. 6,404 of December 15, 1976, as amended, including by Law 11,638 of December 28, 2007, which we refer to as the Brazilian Corporate Law. For purposes of this annual report we prepared balance sheets as of December 31, 2009 and 2008 and the related statements of operations and comprehensive income,

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cash flows and changes in shareholders' equity for the years ended December 31, 2009, 2008 and 2007, in *reais* all in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. KPMG Auditores Independentes has audited our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007, as stated in their report appearing elsewhere herein.

This annual report contains translations of certain *real* amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such U.S. dollar amounts have been translated from *reais* at an exchange rate of R\$1.7425 to US\$1.00, the noon buying rate in New York City for cable transfers in *reais* as certified for customs purposes by the Federal Reserve Bank of New York, or the noon buying rate, as of December 31, 2009. See Item 3. Key Information Exchange Rates for additional information regarding exchange rates. We cannot guarantee that U.S. dollars can be converted into *reais*, or that *reais* can be converted into U.S. dollars, at the above rate or at any other rate.

Changes to Regulatory Requirements for Presentation of Financial Statements – Convergence to International Financial Reporting Standards (IFRS)

Presentation of financial statements in accordance with IFRS

On July 13, 2007, the CVM issued Rule No. 457 to require listed companies to publish their consolidated financial statements in accordance with IFRS starting with the year ending December 31, 2010. Those consolidated financial statements must be prepared based on IFRS as issued by the International Accounting Standards Board.

Convergence of Brazilian GAAP to IFRS

On December 28, 2007, Law No. 11,638 was enacted and amended numerous provisions of the Brazilian Corporate Law relating to accounting principles and authority to issue accounting standards. Law No. 11,638 sought to enable greater convergence between Brazilian GAAP and IFRS. To promote convergence, Law No. 11,638 modified certain accounting principles of the Brazilian Corporate Law and required the different applicable regulators (including CVM) to issue accounting rules conforming to the accounting standards adopted in international markets. Additionally, the statute acknowledged a role in the setting of accounting standards for the CPC, which is a committee of officials from the Brazilian Federal Accounting Board (*Conselho Federal de Contabilidade*), Brazilian Independent Auditors Institute (*Instituto dos Auditores Independentes do Brasil*), São Paulo Stock Exchange (*BM&FBovespa S.A. Bolsa de Valores, Mercadorias e Futuros*) or BM&FBovespa, industry representatives and academic bodies that has issued accounting guidance and pursued the improvement of accounting standards in Brazil. Law No. 11,638 permits the CVM to rely on the accounting standards issued by the CPC in establishing accounting principles for regulated entities.

Subsequently on May 27, 2009, Law No. 11,941 was enacted and, among other issues, amended numerous provisions of the Brazilian Corporate Law and tax regulation, bringing Brazilian GAAP and IFRS into closer agreement.

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As result of the issuance of Law No. 11,638, and Law No. 11,941, CPC has issued approximately 40 standards with the objective of making Brazilian GAAP similar to IFRS. CPC has issued several standards for application beginning with the year ended December 31, 2008 and during 2009 issued several additional standards. Our management is currently in the process of analyzing the potential impact of these new regulations and standards.

MARKET POSITION AND OTHER INFORMATION

The information contained in this annual report regarding our market position is, unless otherwise indicated, presented for the year ended December 31, 2009 and is based on, or derived from, reports issued by the *Agência Nacional de Energia Elétrica* (the Brazilian National Electric Energy Agency), or ANEEL, and by the *Câmara de Comercialização de Energia Elétrica* (the Brazilian Electric Power Trading Chamber), or CCEE.

Certain terms are defined the first time they are used in this annual report. As used herein, all references to GW and GWh are to gigawatts and gigawatt hours, respectively, references to MW and MWh are to megawatts and megawatt-hours, respectively, and references to kW and kWh are to kilowatts and kilowatt-hours, respectively.

References in this annual report to the common shares and preferred shares are to our common shares and preferred shares, respectively. References to Preferred American Depositary Shares or Preferred ADSs are to American Depositary Shares, each representing one preferred share. References to Common American Depositary Shares or Common ADSs are to American Depositary Shares, each representing one common share. Our Preferred ADSs and Common ADSs are referred to collectively as ADSs, and Preferred ADRs and Common ADRs are referred to collectively as ADRs.

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On May 3, 2007, we effected a stock split in the form of a 50% stock dividend of our preferred shares, with a corresponding adjustment to our Preferred ADSs. On June 11, 2007, we effected (i) the grouping of our preferred shares in the form of a consolidation whereby every 500 preferred shares, with par value R\$0.01, were consolidated into one preferred share with a par value of R\$5.00, and (ii) a 100% forward split of the Preferred ADSs, through which the Preferred ADS ratio was changed to one preferred share per Preferred ADS. In addition, on May 2, 2008, a 2.02% stock dividend was paid on the preferred shares. On May 8, 2008, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Preferred ADSs. On April 29, 2009, a 25.000000151% stock dividend was paid on the preferred shares. On May 13, 2009, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Preferred ADSs. On April 29, 2010, a 10.000000128% stock dividend was paid on the preferred shares. On May 10, 2010, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Preferred ADSs. The Preferred ADSs are evidenced by American Depositary Receipts, or Preferred ADRs, issued pursuant to a Second Amended and Restated Deposit Agreement, dated as of August 10, 2001, as amended on June 11, 2007, by and among us, Citibank, N.A., as depositary, and the holders and beneficial owners of Preferred ADSs evidenced by Preferred ADRs issued thereunder (the Second Amended and Restated Deposit Agreement).

On May 3, 2007, we effected a partial stock split in the form of a 50% stock dividend of our common shares. On June 11, 2007, we effected a grouping of our common shares in the form of a consolidation whereby every 500 common shares, par value R\$0.01, were consolidated into one common share with a par value of R\$5.00. On June 12, 2007, we established an American Depositary Share program for our common shares, with each Common ADS representing one common share. In addition, On May 2, 2008, a 2.02% stock dividend was paid on the common shares. On May 8, 2008, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADSs. On April 29, 2009, a 25.000000151% stock dividend was paid on the common shares. On May 13, 2009, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADSs. On April 29, 2010, a 10.000000128% stock dividend was paid on the common shares. On May 10, 2010, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADSs. The Common ADSs are evidenced by American Depositary Receipts, or Common ADRs, issued pursuant to a Deposit Agreement, dated as of June 12, 2007, by and among us, Citibank, N.A., as depositary, and the holders and beneficial owners of Common ADSs evidenced by Common ADRs issued thereunder (the Common ADS Deposit Agreement and, together with the Second Amended and Restated Deposit Agreement, the Deposit Agreements).

FORWARD-LOOKING INFORMATION

This annual report includes forward-looking statements, principally in Item 3. Key Information and Item 11. Quantitative and Qualitative Disclosures about Market Risk. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions relating to, among other things:

- general economic, political and business conditions, principally in Latin America, Brazil, the State of Minas Gerais, in Brazil, or Minas Gerais, the State of Rio de Janeiro, in Brazil, or Rio de Janeiro, as well as other states in Brazil;
- inflation and changes in currency exchange rates;
- enforcement of legal regulation in Brazil's electricity sector;

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- changes in volumes and patterns of consumer electricity usage;
- competitive conditions in Brazil's electricity generation, transmission and distribution markets;
- our expectations and estimates concerning future financial performance, financing plans and the effects of competition;
- our level of debt and its maturity;
- the likelihood that we will receive payment in connection with accounts receivable;
- trends in the electricity generation, transmission and distribution industry in Brazil, and in particular in Minas Gerais and Rio de Janeiro;
- changes in rainfall and the water levels in the reservoirs used to run our hydroelectric power generation facilities;

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- our capital expenditure plans;
- our ability to serve our consumers on a satisfactory basis;
- our ability to renew our concessions;
- existing and future governmental regulation as to electricity rates, electricity usage, competition in our concession area and other matters;
- our ability to integrate the operations of companies we have acquired and that we may acquire;
- existing and future policies of the Federal Government of Brazil, which we refer to as the Federal Government;
- existing and future policies of the government of Minas Gerais, which we refer to as the State Government, including policies affecting its investment in us and the plans of the State Government for future expansion of electricity generation, transmission and distribution in Minas Gerais; and
- other risk factors as set forth under Item 3. Key Information Risk Factors.

The forward-looking statements referred to above also include information with respect to our capacity expansion projects that are under way and those that we are currently evaluating. In addition to the above risks and uncertainties, our potential expansion projects involve engineering, construction, regulatory and other significant risks, which may:

- delay or prevent successful completion of one or more projects;
- increase the costs of projects; and

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- result in the failure of facilities to operate or generate income in accordance with our expectations.

The words believe, may, will, estimate, continue, anticipate, intend, expect and similar words are intended to identify forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this annual report might not occur. Our actual results and performance could differ substantially from those anticipated in our forward-looking statements.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Consolidated Financial Data

The following tables present our selected consolidated financial and operating information in U.S. GAAP as of the dates and for each of the periods indicated. You should read the following information together with our consolidated financial statements, including the notes thereto, included in this annual report and the information set forth in Item 5. Operating and Financial Review and Prospects.

The selected consolidated financial data as of December 31, 2009 and 2008 and for each of the three years ended December 31, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements and the notes thereto included elsewhere in this annual report. The selected consolidated data as of December 31, 2007, 2006 and 2005 and for the each of the two years ended December 31, 2006 and 2005 has been derived from our audited consolidated financial statements and notes thereto, which are not included in this annual report.

U.S. dollar amounts in the table below are presented for your convenience. Unless otherwise indicated, these U.S. dollar amounts have been translated from *reais* at R\$1.7425 per US\$1.00, the noon buying rate as of December 31, 2009. The *real* has historically experienced high volatility. We cannot guarantee that U.S. dollars can be converted into *reais*, or that *reais* can be converted into U.S. dollars, at the above rate or at any other rate. On June 11, 2010, the noon buying rate for *reais* was R\$ 1.8045 per US\$1.00. See Exchange Rates.

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| | As and for the year ended December 31, | | | | | |
|--|--|---------|---|---------|---------|---------|
| | 2009 | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (in millions of US\$)(1)(2) | | (In millions of R\$ except per share/ADS data or as otherwise indicated) | | | |
| Income Statement Data: | | | | | | |
| Net operating revenues: | | | | | | |
| Electricity sales to final consumers | 6,309 | 10,994 | 10,497 | 10,191 | 9,319 | 8,708 |
| Deferred rate adjustment (3) | | | | | | 110 |
| Electricity sales to the interconnected power system | 965 | 1,682 | 1,069 | 1,134 | 884 | 237 |
| Use of basic transmission and distribution networks | 1,147 | 1,999 | 1,865 | 1,705 | 1,780 | 1,523 |
| Other operating revenues | 159 | 277 | 241 | 236 | 200 | 176 |
| Tax on revenues | (2,210) | (3,852) | (3,844) | (3,836) | (3,543) | (3,241) |
| Total net operating revenues | 6,370 | 11,100 | 9,828 | 9,430 | 8,640 | 7,513 |
| Operating costs and expenses: | | | | | | |
| Electricity purchased for resale | (1,757) | (3,061) | (2,267) | (2,147) | (1,907) | (1,455) |
| Use of basic transmission and distribution networks | (434) | (756) | (634) | (564) | (687) | (709) |
| Depreciation and amortization | (408) | (711) | (769) | (878) | (810) | (669) |
| Personnel | (683) | (1,190) | (1,004) | (884) | (1,046) | (779) |
| Regulatory charges | (655) | (1,142) | (1,024) | (967) | (1,031) | (983) |
| Special liabilities | | | | | (1,057) | |
| Third-party services | (418) | (729) | (605) | (550) | (475) | (420) |
| Employee post-retirement benefits | (101) | (176) | (277) | (140) | (245) | (257) |
| Materials and supplies | (60) | (105) | (170) | (148) | (116) | (95) |
| Reversal (Provision) for loss on deferred regulatory assets (3) | 5 | 8 | (19) | (146) | (49) | (183) |
| Employee profit sharing | (134) | (233) | (362) | (455) | (210) | (260) |
| Other | (279) | (486) | (410) | (472) | (234) | (379) |
| Total operating costs and expenses | (4,924) | (8,581) | (7,541) | (7,351) | (7,867) | (6,189) |
| Operating income | 1,446 | 2,519 | 2,287 | 2,079 | 773 | 1,324 |
| Financial income (expenses), net | (63) | (109) | 17 | (48) | 335 | 754 |
| Non-Operating Income | 95 | 165 | 204 | 272 | 91 | 29 |
| Income before income taxes and minority interests | 1,478 | 2,575 | 2,508 | 2,303 | 1,199 | 2,107 |
| Income taxes expense | (463) | (807) | (755) | (685) | (497) | (300) |
| Net income before noncontrolling interests | 1,015 | 1,768 | 1,753 | 1,618 | 702 | 1,807 |
| Minority interests | | | | | | 2 |
| Net income | 1,015 | 1,768 | 1,753 | 1,618 | 702 | 1,809 |
| Other comprehensive income (loss) | 145 | 253 | 299 | (400) | 140 | 25 |
| Comprehensive income | 1,160 | 2,021 | 2,052 | 1,218 | 842 | 1,834 |
| Basic earnings (loss): (5) | | | | | | |
| Per common share | 1.64 | 2.85 | 2.83 | 2.66 | 1.15 | 2.98 |

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|------------------------------|------|------|------|------|------|------|
| Per preferred share | 1.64 | 2.85 | 2.83 | 2.66 | 1.15 | 2.98 |
| Per ADS | 1.64 | 2.85 | 2.83 | 2.66 | 1.15 | 2.98 |
| Diluted earnings (loss): (5) | | | | | | |
| Per common share | 1.63 | 2.84 | 2.81 | 2.61 | 1.13 | 2.95 |
| Per preferred share | 1.63 | 2.84 | 2.81 | 2.61 | 1.13 | 2.95 |
| Per ADS | 1.63 | 2.84 | 2.81 | 2.61 | 1.13 | 2.95 |

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| | As of and for the year ended December 31, | | | | | |
|---|---|-------------|---|-------------|-------------|-------------|
| | 2009 | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (in millions of US\$(1)(2)) | | (In Millions of R\$ except per share/ADS data or as otherwise indicated) | | | |
| Balance Sheet Data: | | | | | | |
| Assets: | | | | | | |
| Current assets | 4,521 | 7,878 | 6,216 | 5,935 | 4,778 | 4,778 |
| Property, plant and equipment, net | 8,100 | 14,114 | 14,011 | 13,835 | 13,426 | 11,971 |
| Deferred regulatory assets long-term | 34 | 60 | 332 | 823 | 1,548 | 2,315 |
| Account receivable from State Government | 1,047 | 1,824 | 1,801 | 1,763 | 1,726 | 1,519 |
| Other assets | 2,689 | 4,685 | 2,421 | 1,997 | 1,841 | 763 |
| Total assets | 16,391 | 28,561 | 24,781 | 24,353 | 23,319 | 21,346 |
| Liabilities: | | | | | | |
| Current portion of long-term financing | 2,246 | 3,913 | 1,197 | 941 | 691 | 985 |
| Other current liabilities | 1,993 | 3,472 | 3,692 | 3,572 | 3,639 | 3,953 |
| Long-term financing | 3,078 | 5,364 | 5,314 | 5,873 | 5,833 | 3,841 |
| Employee post-retirement benefits long-term | 751 | 1,308 | 1,765 | 2,182 | 1,666 | 1,535 |
| Shareholders' equity | 5,982 | 10,423 | 9,333 | 8,224 | 8,370 | 9,252 |
| Capital stock | 1,669 | 2,908 | 2,288 | 2,239 | 1,428 | 1,428 |
| Other Data: | | | | | | |
| Weighted average outstanding shares basic: (5) | | | | | | |
| Common | | 271,154,243 | 271,154,243 | 265,778,129 | 265,778,129 | 275,778,129 |
| Preferred | | 349,015,265 | 348,963,420 | 342,039,463 | 342,039,463 | 342,039,463 |
| Dividends per share (5) | | | | | | |
| Common | R\$ | 1.50 | R\$ 1.52 | R\$ 2.24 | R\$ 2.22 | R\$ 2.95 |
| Preferred | R\$ | 1.50 | R\$ 1.52 | R\$ 2.24 | R\$ 2.22 | R\$ 2.95 |
| Dividends per ADS (5) | | | | | | |
| Common | US\$ | 0.86 | US\$ 0.66 | US\$ 1.26 | US\$ 1.04 | US\$ 1.27 |
| Preferred | US\$ | 0.86 | US\$ 0.66 | US\$ 1.26 | US\$ 1.04 | US\$ 1.27 |
| Dividends per share (4)(5) | | | | | | |
| Common | US\$ | 0.86 | US\$ 0.66 | US\$ 1.26 | US\$ 1.04 | US\$ 1.27 |
| Weighted average outstanding shares diluted: (5) | | | | | | |
| Common | | 273,850,193 | 274,634,801 | 278,078,200 | 279,007,398 | 271,003,364 |
| Preferred | | 349,015,265 | 348,963,420 | 342,039,463 | 342,039,463 | 342,039,463 |
| Dividends per share diluted (5) | | | | | | |
| Common | R\$ | 1.49 | R\$ 1.51 | R\$ 2.20 | R\$ 2.17 | R\$ 2.92 |
| Preferred | R\$ | 1.49 | R\$ 1.51 | R\$ 2.20 | R\$ 2.17 | R\$ 2.92 |
| Dividends per ADS diluted (5) | | | | | | |
| Common | US\$ | 0.86 | US\$ 0.66 | US\$ 1.24 | US\$ 1.02 | US\$ 1.25 |
| Preferred | US\$ | 0.86 | US\$ 0.66 | US\$ 1.24 | US\$ 1.02 | US\$ 1.25 |
| Dividends per ADS diluted (4)(5) | | | | | | |
| Common | US\$ | 0.86 | US\$ 0.66 | US\$ 1.24 | US\$ 1.02 | US\$ 1.25 |

(1) Converted at the exchange rate of US\$1.00 to R\$1.7425, the noon buying rate as of December 31, 2009. See Exchange Rates.

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- (2) In millions, except per share/ADS data.
- (3) See Note 4 to our consolidated financial statements.
- (4) This information is presented in U.S. dollars at the noon buying rate in effect as of the end of each year.

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(5) Per share numbers have been adjusted to reflect the stock dividend and consolidation of our shares, and per Preferred ADS numbers have been adjusted to reflect the 100% forward split of our Preferred ADSs, each of which occurred in May and June 2007. In addition, per share numbers have been adjusted to reflect the stock dividends on our shares in May 2008 and May 2009, and per ADS numbers have been adjusted to reflect the corresponding adjustments to our ADS.

Exchange Rates

In March 2005, the National Monetary Council (*Conselho Monetário Nacional*), or CMN, consolidated the commercial rate exchange market and the foreign exchange market into a single floating rate exchange market, where all foreign exchange transactions are now carried out by financial institutions authorized by the Central Bank to operate in this market.

Brazilian law provides that whenever there (i) is a significant imbalance in Brazil's balance of payments or (ii) are major reasons to foresee a significant imbalance in Brazil's balance of payments, temporary restrictions may be imposed on remittances of foreign capital abroad. In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Federal Government will continue to let the *real* float freely or will intervene in the exchange rate market. The *real* may depreciate or appreciate against the U.S. dollar and other currencies substantially in the future. Exchange rate fluctuations may affect the U.S. dollar amounts received by the holders of Preferred ADSs or Common ADSs. We will make any distributions with respect to our preferred shares or common shares in *reais* and the depositary will convert these distributions into U.S. dollars for payment to the holders of Preferred ADSs and Common ADSs. Exchange rate fluctuations may also affect the U.S. dollar equivalent of the *real* price of the preferred shares or common shares on the Brazilian stock exchange where they are traded. Exchange rate fluctuations may also affect our results of operations. For more information see Risk Factors Exchange rate instability may adversely affect our business, results of operations and financial condition and the market price of our shares, the Preferred ADSs and the Common ADSs.

The table below sets forth, for the periods indicated, the low, high, average and period-end noon buying rates for *reais*, expressed in *reais* per US\$1.00.

| Month | Reais per US\$1.00 | | | |
|---------------|--------------------|--------|---------|------------|
| | Low | High | Average | Period-end |
| December 2009 | 1.7050 | 1.7905 | 1.7508 | 1.7425 |
| January 2010 | 1.7200 | 1.8755 | 1.7817 | 1.8755 |
| February 2010 | 1.8010 | 1.8865 | 1.8403 | 1.8082 |
| March 2010 | 1.7620 | 1.8207 | 1.7855 | 1.7821 |
| April 2010 | 1.7270 | 1.7780 | 1.7568 | 1.7270 |
| May 2010 | 1,7360 | 1,8850 | 1,8142 | 1,8170 |
| June 2010 (1) | 1,8045 | 1,8651 | 1,8326 | 1,8045 |

(1)As of June 11, 2010.

| Year Ended December 31, | Reais per US\$1.00 | | | |
|-------------------------|--------------------|------|---------|------------|
| | Low | High | Average | Period-end |

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| | | | | |
|------|--------|--------|--------|--------|
| 2005 | 2.1695 | 2.7755 | 2.4352 | 2.3340 |
| 2006 | 2.0549 | 2.3580 | 2.1738 | 2.1342 |
| 2007 | 1.7298 | 2.1520 | 1.9449 | 1.7790 |
| 2008 | 1.5580 | 2.6190 | 1.8322 | 2.3130 |
| 2009 | 1.6995 | 2.4420 | 1.9976 | 1.7425 |

Source: U.S. Federal Reserve Board

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Risk Factors

You should consider the following risks as well as the other information in this annual report in evaluating an investment in our company.

Risks Relating to CEMIG

We are controlled by the State Government which may have interests that are different from yours.

As our controlling shareholder, the government of the State of Minas Gerais exercises substantial influence on the strategic orientation of the business of CEMIG. Elections will be held in Minas Gerais in October 2010. The period before the election may result in changes to the existing governmental policies, and the post-election administration may seek to implement new policies. The government of the State of Minas Gerais currently holds approximately 51% of our common shares and, consequently, has the right to the majority of votes in decisions of the General Meetings of our Shareholders, and can (i) elect the majority of the members of the Board of Directors of CEMIG, and (ii) decide matters requiring approval by a specific majority of our shareholders, including transactions with related parties, shareholding reorganizations and the date and payment of any dividends. It is not possible to analyze the impact and effects this may have on us or our results of operations.

The operations of CEMIG have had and will continue to have an important impact on the commercial and industrial development of the State of Minas Gerais, and on its social conditions. In the past, the State Government has, and may in the future, use its status as our controlling shareholder to decide that we should engage in certain activities and make certain investments aimed, principally, to promote its political, economic or social objectives and not necessarily to meet the objective of improving our business and/or operational results.

We are subject to extensive and uncertain governmental legislation and regulation.

The Brazilian Federal Government has been implementing policies that have a far-reaching impact on the Brazilian power industry and, in particular, the electricity industry. As part of the restructuring of the industry, Federal Law No. 10,848 of March 15, 2004, or the New Industry Model Law, introduced a new regulatory framework for the Brazilian electricity industry.

Law No. 10,848/04 and Decree 5,163 of July 30, 2004 governing the purchase and sale of electricity under the New Industry Model Law remain subject to the implementation of resolutions by ANEEL. Moreover, the constitutionality of Law No. 10,848/04 is currently being challenged before the Brazilian Supreme Court. The Brazilian Supreme Court has not yet reached a final decision and, therefore, Law No. 10,848/04 is currently in force. If all or a portion of Law No. 10,848/04 is considered to be unconstitutional by the Brazilian Supreme Court, all or a portion of the regulatory scheme introduced by Law No. 10,848/04 may not come into effect, generating uncertainty as to how and when the Federal Government will be able to introduce changes to the electricity industry. Accordingly, we cannot now evaluate the impact of new regulation to be issued by ANEEL or the impact that a decision on the constitutionality of Law No. 10,848/04 would have on our future activities, results of operations and financial condition.

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The rules for the sale of electric energy and market conditions could affect our energy selling prices.

Under applicable law, our generation companies are not allowed to sell energy directly to our distribution companies. As a result, our generation companies have to sell electricity in a regulated market through public auctions conducted by ANEEL (the Regulated Market, the ACR, or the Pool) or in the Free Market (the ACL). Legislation allows distributors that contract with our generation companies under the Regulated Market to reduce the quantity of energy contracted under some agreements up to a certain limit, exposing our generation companies to the risk of failing to sell its remaining energy at adequate prices.

We perform trading activities through power purchase and sale agreements, mainly in the ACL, through our generation and trading subsidiaries. Contracts in the ACL with consumers that are allowed to purchase energy directly from generating companies or from energy traders, referred to as Free Consumers, are generally consumers with demand equal to or greater than 3 MW or consumers with demand between 500 kW and 3 MW from so-called renewable energy sources, such as small hydroelectric facilities and cogeneration plants, mainly ethanol plants. Older contracts with consumers greater

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than 3MW give them the flexibility to purchase more or less energy (by 5% on average) from us than was originally contracted for by such consumers, which may adversely impact our business, results of operations and financial condition. Newer contracts, signed after 2005 generally do not allow for this kind of flexibility in the purchase of energy.

Despite the strategy described in the Power Generation and Trading section, lack of liquidity for execution of the trading policy or volatility in future prices due to market conditions and/or market perceptions may negatively affect our expected results. Also, if we are unable to sell all the power capacity in the regulated auctions or in the free market, the unsold capacity will be settled in the CCEE at a settlement price (Preço de Liquidação de Diferenças), or PLD, which tends to be very volatile, especially over the last few years. If this occurs in periods of low settlement prices, our revenues and results of operations could be adversely affected.

ANEEL has substantial discretion to establish the rates we charge to captive consumers. Such rates are determined pursuant to concession contracts entered with ANEEL on behalf of the Federal Government and in accordance with ANEEL's regulatory decision-making authority.

Concession agreements and Brazilian law establish a price cap mechanism that permits three types of rate adjustments: (1) the annual readjustment; (2) the periodic revision; and (3) the extraordinary revision. We are entitled to apply each year for the annual readjustment, which is designed to offset some of the effects of inflation on rates and allows us to pass through to consumers certain changes in our cost structure that are beyond our control, such as the cost of electricity we purchase and certain other regulatory charges, including charges for the use of transmission and distribution facilities. In addition, ANEEL carries out a periodic tariff revision every five years that is aimed at identifying variations in our costs as well as setting a factor based on our operational efficiency that will be applied against the index of our ongoing annual rate adjustments, the intended effect of which is to reward the good management of our costs while sharing any related gains with our consumers. We are also entitled to request an extraordinary revision of our rates if unforeseen events significantly alter our cost structure. The periodic revision and extraordinary revision are subject to a certain degree of ANEEL's discretion.

Although our concession agreements provide that the company must remain in economic and financial balance, we cannot assure you that ANEEL will establish rates that will adequately compensate us and that our revenues and results of operations will not be adversely affected by such rates. In addition, to the extent any of these adjustments are not granted by ANEEL in a timely manner, our business, results of operations and financial condition may be adversely affected.

We may not be able to collect the full amount of a significant receivable from the State Government.

We have an account receivable from the State Government, referred to as the Contrato de Cessão de Crédito de Saldo Remanescente, or CRC Account, that totaled R\$1,824 million as of December 31, 2009. The agreement between CEMIG and the State Government that governs the CRC Account receivable is referred to as the CRC Account Agreement. We have renegotiated and amended the terms of the CRC Account on a number of occasions in connection with this difficulty. We cannot assure you we will be paid on a timely basis in the future. See Item 5. Operating and Financial Review and Prospects Impact of Our Account Receivable from the State Government.

We are strictly liable for any damages resulting from inadequate rendering of electricity services.

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Under Brazilian law, we are strictly liable for direct and indirect damages resulting from the inadequate rendering of electricity transmission and distribution services. In addition, the damages caused to end consumers as a result of interruptions or disturbances arising from the generation, transmission or distribution systems, whenever these interruptions or disturbances are not attributed to an identifiable member of the National System Operator (*Operador Nacional do Sistema*, or ONS) or the ONS itself, shall be shared among generation, distribution and transmission companies. Until a final criteria is defined, the liability for such damages shall be shared in the proportion of 35.7% to distribution agents, 28.6% to transmission agents and 35.7% to generation agents. These proportions are established by the number of votes that each class of energy concessionaires receives at ONS's General Meeting, and as such, they are subject to change in the future. Therefore, our business, results of operations and financial condition may be adversely affected.

We are subject to rules and limits applied to levels of public sector borrowing and to restrictions on the use of certain funds we raise, which could prevent us from obtaining financing.

As a state controlled company, we are subject to rules and limits on the level of credit applicable to the public sector issued by the CMN and by the Central Bank. These rules set certain parameters and conditions for financial institutions to be able to offer credit to public sector entities. Thus, if our operations do not fall within these parameters and conditions, we may have difficulty in obtaining financing from Brazilian financial institutions, which could create difficulties in the

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implementation of our investment plan. Brazilian legislation also establishes that a state-controlled company, in general, may only use proceeds of external transactions with commercial banks (debt, including bonds) to refinance financial obligations. As a result of these regulations, our capacity to incur debt is again limited, and this could negatively affect the implementation of our investment plan.

There are contractual restrictions on our capacity to incur debt.

We are subject to certain restrictions on our ability to incur debt due to covenants set forth in our loan agreements. In the event of our non-compliance with any such covenants in our loan agreements, the total principal, future interest and any penalties due under these agreements may become immediately due and payable. In the past, and in 2009, in particular, we have, at times, been in non-compliance with our covenants under our loan agreements, and although we were able to obtain waivers from our creditors in regards to such non-compliance, no assurance can be given that we would be successful in obtaining any waivers in the future. Early maturity of our obligations could adversely affect our financial condition especially in light of cross default provisions in several of our loan and financing contracts. The existence of limitations on our indebtedness could prevent us from executing new agreements to finance our operations or to refinance our existing obligations which could adversely affect our business, results of operations and financial condition.

We could be penalized by ANEEL for failing to comply with the terms and conditions of our concession agreements, and/or the authorizations granted to us, which could result in fines, other penalties and, depending on the severity of non-compliance, expropriation of the concession agreements or revocation of the authorizations.

We conduct our generation, transmission and distribution activities pursuant to concession agreements entered into with the Federal Government through ANEEL and/or pursuant to authorizations granted to the companies of our portfolio, as the case may be. ANEEL may impose penalties on us if we fail to comply with any provision of the concession agreements, including compliance with the established quality standards. Depending on the severity of the non-compliance, these penalties could include:

- fines per breach of up to 2.0% of the concessionaire's revenues in the year ended immediately prior to the date of the relevant breach;

- injunctions related to the construction of new facilities and equipment;

- restrictions on the operation of existing facilities and equipment;

- temporary suspension from participating in bidding processes for new concessions for a term up to two years;

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- intervention by ANEEL in the management of the concessionaire in breach; and
- termination of the concession.

In addition, the Federal Government has the power to terminate any of our concessions or authorizations, prior to the end of the concession term in the case of bankruptcy or dissolution, or by means of expropriation for reasons related to the public interest.

Also, delays regarding the implementation and construction of new energy undertakings can also trigger the imposition of regulatory penalties by ANEEL, which, in accordance to ANEEL's Resolution No. 63 dated May 12, 2004, can vary from warnings to the early termination of these concessions or authorizations.

We cannot assure you that ANEEL will not impose penalties or terminate our concessions or authorizations in the event of a breach. Any compensation we may receive upon the termination of the concession contract and/or the authorizations may not be sufficient to compensate us for the full value of certain investments. If any of our concession agreements are terminated and we are at fault, the effective amount of compensation could be reduced through fines or other penalties. Termination or imposition of penalties could adversely affect our business, results of operations and financial condition.

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We are uncertain as to the renewal of our concessions.

We carry out the vast majority of our power generation, transmission and distribution activities pursuant to concession agreements entered into with the Federal Government. The Brazilian Constitution requires that all concessions relating to public services be awarded through a bidding process. In 1995, in an effort to implement these constitutional provisions, the Federal Government adopted certain laws and regulations, known collectively as the Concessions Law, governing bidding procedures in the power industry. In accordance with the Concessions Law, as modified by the New Industry Model Law, upon application by the concessionaire, existing concessions may be renewed by the Federal Government for additional periods of up to 20 years without being subject to the bidding process, provided that the concessionaire has met minimum performance standards and that the proposal is otherwise acceptable to the Federal Government.

In light of the degree of discretion granted to the Federal Government which is frequently advised by ANEEL- by the Concessions Law with respect to new concession contracts and the renewal of existing concessions, and given the lack of long-standing precedents with respect to the Federal Government's exercise of such discretion and interpretation and application of the Concessions Law, we cannot assure you that new concessions will be obtained or that concessions will be renewed on terms as favorable as those currently in effect. Item 4. Information on the Company Competition Concessions and Item 4. The Brazilian Power Industry Concessions. Non-renewal of any of our concessions could adversely affect our business, results of operations and financial condition.

The present structure of the Brazilian electricity sector is highly concentrated in hydroelectric generation, which makes it subject to certain risks.

The Brazilian electricity industry is highly concentrated in hydroelectric generation and faces a natural limitation on its generation capacity, as hydroelectric power plants cannot generate more electricity than is made possible by the country's water resources. As a result, natural factors may affect our generating capacity, by increasing or reducing the level of reservoirs. Control of the level of reservoirs by the ONS seeks to optimize the level of water available for hydroelectric generation in each of the power plants associated with the respective reservoirs. In this context, the ONS could, for example, prevent a generating plant located at the beginning of a river from increasing its throughput of water, if this increase were to negatively affect other plants further downstream. In the same way, the ONS may decide to increase thermal generation and reduce hydroelectric generation in order to conserve water in the reservoirs.

Shortages and/or rationing due to adverse hydrological conditions not covered by the Energy Reallocation Mechanism (as described in Item 4. The Brazilian Power Industry Energy Reallocation Mechanism) could result in increased costs and reduced cash flow. In addition, if the new energy auctions under the New Industry Model Law fail to result in an expansion in electricity generation capacity to adequate levels to meet growing demand, rationing measures could be implemented. Any limitation on our electricity generation capacity could adversely affect our business, results of operations and financial condition.

Delays in the expansion of our facilities may significantly increase our costs.

We are currently engaged in the construction of additional hydroelectric and wind farm power plants and the evaluation of other potential expansion projects. Our ability to complete an expansion project on time, within a determined budget and without adverse economic effects, is subject to a number of risks. For instance:

- we may experience problems in the construction phase of an expansion project;
- we may face regulatory or legal challenges that delay the initial operation date of an expansion project;
- our new or modified facilities may not operate at designated capacity or may cost more to operate than we expect;
- we may not be able to obtain adequate working capital to finance our expansion projects; and
- we may encounter environmental issues and claims by the local population during power plant construction.

If we experience these or other problems relating to the expansion of our electricity generation, transmission or distribution capacity, our ability to sell electric energy in amounts in line with our projections may be harmed and we may be exposed to increased costs. Consequently, we may fail to produce the revenues we anticipate in connection with such expansion projects.

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Impositions and restrictions by the environmental agencies could cause additional costs for us.

Our operations related to the generation, transmission and distribution of electricity as well as to the distribution of natural gas, are subject to various federal, state and municipal laws and regulations, and also to numerous requirements relating to the protection of health and the environment.

Non-compliance with environmental laws and regulations such as the building and operation of a potentially polluting facility without a valid environmental license or authorization- could, independently of the obligation to redress any damages that may be caused, result in criminal, civil and administrative sanctions being applied. Based on Brazilian legislation, criminal penalties such as restricting rights, and even imprisonment, may be applied to individuals (including managers of legal entities), and penalties such as fines, restriction of rights or community service may be applied to legal entities. With respect to administrative sanctions, depending on the circumstances, the environmental authorities may impose warnings and fines ranging from R\$50 thousand to R\$50 million, require partial or total suspension of activities; suspend or restrict tax benefits or cancel or suspend lines of credit from governmental financial institutions as well as prohibit the entity from contracting with governmental agencies, companies and authorities. Any of these events could adversely affect our business, results of operations or financial condition.

Furthermore, if the activities undertaken by CEMIG result, either directly or indirectly, in any environmental damage, it shall be liable for carrying out remediation, compensation or indemnification measures, the maximum value of which is not defined by law. Delays or denials of license requests by the competent environmental entities, as well as our possible inability to meet the requirements established by the environmental authorities during the environmental licensing processes, may result in additional costs, or even prohibit, as applicable, the construction and maintenance of these projects.

In addition, CEMIG is subject to Brazilian legislation requiring the payment of compensation in relation to the polluting effects of its activities. Pursuant to such legislation, up to 0.5% of the total amount invested in the implementation of a project that causes significant environmental impact must be directed towards environmental compensation measures. CEMIG has not yet assessed the effects that this legislation may have on it. See Item 4. Information on the Company Environmental Matters Compensation Measures. Any charges on CEMIG, as a result of this regulation, could be significant and may impact our business, results of operations or financial condition.

Finally, the adoption or implementation of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require us to make additional capital expenditures or incur additional operating expenses in order to maintain our current operations, curtail our production activities or take other actions that could have material adverse effect on our financial condition, results of operations and cash flow.

Our level of consumer default could adversely affect our business, results of operations and financial condition.

As of December 31, 2009, our total past due receivables from final consumers were approximately R\$877 million, corresponding to 7.94% of our net revenues for 2009, and our allowance for doubtful accounts was R\$238 million. Approximately 8.3% of the past due receivables were owed by entities in the public sector. We may be unable to recover debts from several municipalities and other defaulting clients. If these debts are not totally or partially recovered, we will experience an adverse impact on our business, results of operations and financial condition. In

addition, any consumer defaults in excess of our allowance for doubtful accounts could have an adverse effect on our business, results of operations and financial condition.

We may not be able to complete our proposed capital expenditure program.

Our by-laws contemplate that we spend up to 40.0% of our annual EBITDA (earnings before interest, income taxes, depreciation and amortization), each fiscal year, on capital investments and acquisitions. In the Extraordinary General Meeting of Shareholders held on June 17, 2010, the shareholders approved the increase of this limit up to 90% of the 2010 EBITDA. Our ability to carry out this capital expenditure program is dependent upon a number of factors, including our ability to charge adequate rates for our services, our access to domestic and international capital markets and a variety of operating and other factors. In addition, our plans to expand our generation and transmission capacity are subject to the competitive bidding process governed by the Concessions Law. We cannot give any assurance that we will have the financial resources to complete this program.

Our ability to distribute dividends is subject to limitations.

Whether or not you receive dividends depends on whether our financial condition permits us to distribute dividends under Brazilian law, whether our shareholders, on the recommendation of our Board of Directors acting in its discretion,

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determine that our financial condition warrants a suspension of the distribution of dividends in addition to the amount of mandatory distribution required under our by-laws, in case of preferred shares.

Because CEMIG is a holding company with no revenue-producing operations other than those of its operating subsidiaries, we will be able to distribute dividends to shareholders only if CEMIG receives dividends or other cash distributions from its operating subsidiaries. The dividends that our subsidiaries may distribute to us depend on our subsidiaries generating a sufficient profit in any given fiscal year. Dividends can be paid out from accumulated profits from previous years or from capital reserves. Such profits are calculated and paid in accordance with Brazilian Corporate Law and the provisions of the by-laws of each of our regulated subsidiaries.

We operate without general third party liability and catastrophe insurance policies.

We do not have general third party liability insurance covering accidents and have not asked for bids related to this type of insurance. In addition, we have not asked for bids for, nor do we carry, insurance coverage for major catastrophes affecting our facilities such as earthquakes and floods, for business interruption risk or for operating system failures. Accidents or catastrophic events may adversely affect our business, results of operations or financial condition. See Item 10. Additional Information Insurance. Also, we may incur liabilities beyond the limits provided in our current existing insurance policies.

We will need short-term funds to pay our obligations and to fund our current and expected acquisitions.

On December 31, 2009, our total debt was R\$9,277 million, of which R\$3,913 million matures in 2010. Notwithstanding the fact that we have already rolled over part of these obligations, through the issuance of R\$2,700 million in long-term notes, we will still need funds in the short term to pay or refinance the remainder of these obligations and to fund our current and expected acquisitions and investments. However, no assurance can be given that we will be able to raise such funds in a timely manner and in the amounts necessary or at competitive rates, or that we will otherwise have supplemental cash-on-hand available to pay our obligations or finance our acquisitions. If we are unable to successfully raise funds as planned, we may not be able to entirely pay our debt or meet all our acquisition commitments, and our investment program could suffer significant delays or changes, which could adversely affect our business, financial condition and prospects.

We may incur losses in connection with pending litigation.

We are currently defending several legal proceedings relating to civil, administrative, environmental, tax and other claims. These claims involve a wide range of issues and seek substantial amounts of money. Several individual disputes account for a significant part of the total amount of claims against us. Our consolidated financial statements include reserves relating to litigation claims totaling R\$ 566 million as of December 31, 2009 (excluding labor-related matters) for probable and reasonably estimable losses and expenses we may incur in connection with pending litigation. In the event that our reserves for litigation claims prove to be insufficient, the payment of litigation claims in an amount in excess of the reserved amounts could have an adverse effect on our business, results of operations or financial condition. Also, any negative outcome with respect to any litigation could adversely affect our reputation.

Labor-related legal claims, strikes and/or work stoppages could have an adverse impact on our business.

Substantially all of our employees are covered by Brazilian labor legislation applicable to private sector employees. We have entered into collective bargaining agreements with the labor unions representing most of these employees.

We are currently defending a number of labor-related claims brought by our employees that generally relate to overtime and compensation for occupational hazards. We are also subject to claims related to outsourcing of services, in which employees of our contractors and subcontractors have brought actions against us for the payment of outstanding labor liabilities. As of December 31, 2009, our labor-related claims totaled, in the aggregate, approximately R\$279 million, and at that date we had accrued a liability of approximately R\$81 million (not including judicial deposits) for losses we expect from these claims. For a more detailed discussion of labor-related proceedings, see Item 8. Financial Information Legal Proceedings Labor and Pension Fund Obligations.

We have not experienced any material labor unrest during the last three years, although in 2007 four work stoppages occurred, in 2008 one minor work stoppage occurred, and in 2009, one minor work stoppage occurred. Our operations might be interrupted by a labor disturbance in the future. We do not carry insurance for losses incurred as a result of business interruptions caused by labor action. In the event of a strike, we might face an immediate loss of revenue.

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Contract disputes, strikes, legal claims or other types of conflicts relating to our employees or the labor unions that represent them may have an adverse effect on our business, results of operations or financial condition and our ability to maintain ordinary service levels or otherwise operate our business in the manner that our consumers expect.

Foreign shareholders may not be able to enforce judgments against our directors or officers.

All of our directors and officers named in this annual report reside in Brazil. Substantially all of our assets, as well as the assets of these persons, are located in Brazil. As a result, it may not be possible for foreign shareholders to effect service of process within the United States or other jurisdictions outside Brazil upon these persons, attach their assets, or enforce against them or us in United States courts, or the courts of other jurisdictions outside Brazil, judgments predicated upon the civil liability provisions of the securities laws of the United States or the laws of such other jurisdictions. See Item 10. Additional Information Difficulties of Enforcing Civil Liabilities Against Non-U.S. Persons.

Risks Relating to Brazil

The Federal Government exercises significant influence on the Brazilian economy. Political and economic conditions can have a direct impact on our business.

The Federal Government intervenes frequently in the country's economy and occasionally makes significant changes in monetary, fiscal and regulatory policy. Our business, results of operations or financial condition may be adversely affected by changes in government policies, and also by:

- fluctuations in the exchange rate;

- inflation;

- instability of prices;

- changes in interest rates;

- fiscal policy;

- other political, diplomatic, social and economic developments which may affect Brazil or the international markets;
- control on capital flow; and
- limits on foreign trade.

Measures by the Brazilian government to maintain economic stability, and also speculation on any future acts of the government, can generate uncertainties in the Brazilian economy and increased volatility in the domestic capital markets, adversely affecting our business, results of operations or financial condition. If the political and economic situations deteriorate, we may face increased costs.

A presidential election will be held in Brazil in October 2010. The President of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and consequently, affect the operations and financial performance of businesses, such as our company. The period before the presidential election may result in changes to the existing governmental policies, and the post-election administration may seek to implement new policies. We cannot assure you that the policies of the current or any new administration would not have an adverse effect on the Brazilian economy, our business, results of operations or financial condition.

Inflation and certain governmental measures to curb inflation may contribute significantly to economic uncertainty in Brazil and could harm our business and the market value of our shares, the Preferred ADSs and the Common ADSs.

Brazil has in the past experienced extremely high rates of inflation. Inflation, and some of the Federal Government's measures taken in an attempt to curb inflation, have had significant negative effects on the Brazilian economy. Since the introduction of the *real* in 1994, Brazil's inflation rate has been substantially lower than in previous periods. According to the

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Amplified National Consumer Price Index, or IPCA, Brazilian annual inflation rates in 2007, 2008 and 2009 were 4.5%, 5.9% and 4.3% respectively. No assurance can be given that inflation will remain at these levels.

Future measures taken by the Federal Government, including interest rate increases, intervention in the foreign exchange market and actions to adjust or fix the value of the *real* may trigger increases in inflation, and consequently, have adverse economic impacts on our business, results of operations and financial condition. If Brazil experiences high inflation in the future, we may not be able to adjust the rates we charge our consumers to offset the effects of inflation on our cost structure.

Substantially all of our cash operating expenses are denominated in *reais* and tend to increase with Brazilian inflation. Inflationary pressures may also hinder our ability to access foreign financial markets or may lead to further government intervention in the economy, including the introduction of government policies that could harm our business, results of operations and financial condition or adversely affect the market value of our shares and as a result, our Preferred ADSs and Common ADSs.

Exchange rate instability may adversely affect our business, results of operations and financial condition and the market price of our shares, the Preferred ADSs and the Common ADSs.

The Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Federal Government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency generally has correlated with the rate of inflation in Brazil, devaluation over shorter periods has resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and currencies of other countries.

In 2009, the *real* appreciated 24.7% against the U.S. dollar. Between December 31, 2009 and April 1, 2010, the *real* appreciated 0.89% against the U.S. dollar. Considering the volatility the world economy is facing, no assurance can be given that the *real* will not depreciate against the dollar again. On December 31, 2009, the noon buying U.S. dollar/*real* exchange rate was R\$1.7425/US\$1.00. See Exchange Rates.

As of December 31, 2009, approximately 2.1% of our total indebtedness from loans, financings and debentures was denominated in currencies other than the *real* (90.0% of that in U.S. dollars). If the *real* depreciates against the U.S. dollar, our related financial expenses will increase and our results of operations and financial condition could be adversely affected. Our foreign exchange losses decreased from R\$113 million in 2008 to R\$95 million in 2009.

We also have entered into certain power purchase agreements that are dollar denominated. We cannot assure you that these derivatives instruments and the proceeds from our dollar-denominated purchase agreements will be sufficient to avoid an adverse effect on our business, results of operations and financial condition in case of unfavorable exchange rate fluctuations. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Exchange Rate Risk for information about our foreign exchange risk hedging policy.

Changes in economic and market conditions in other countries, especially Latin American and emerging market countries, may adversely affect our business, results of operations and financial condition, as well as the market price of our shares, the Preferred ADS and the Common ADSs.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including us. This could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all. Due to the characteristics of the Brazilian power industry (which requires significant investments in operating assets) and due to our financing needs, if access to the capital and credit markets is limited, we could face difficulties in completing our investment plan and refinancing our obligations which could adversely affect our business, results of operations and financial condition.

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Political and economic instability in Brazil may affect us.

Periodically, allegations of unethical or illegal conduct might be made with respect to figures in the Brazilian government, including legislators and/or party officials. Presidential elections will take place in October 2010 and although the current political environment is more stable than in past years, no assurance can be given that this situation will endure.

If such events lead to a materially adverse perception of Brazil among investors, the trading value of our shares, the Preferred ADSs and the Common ADSs could decline, and our ability to access international markets could suffer. In addition, any political instability resulting from such events could cause us to re-assess our strategies if the Brazilian economy suffers as a result.

Our reported financial condition and results could be affected by changes in Brazilian Accounting Principles due to the convergence to IFRS.

Brazilian Accounting Principles have been undergoing rapid change pursuant to legislation adopted late in 2007, requiring among other things that Brazilian accounting standard-setters move toward convergence with IFRS, which will be mandatory by 2010. Many new accounting standards have been adopted and are currently being implemented. Others are expected in the near future. We cannot yet predict the effects on our financial statements that will result when these changes take effect. These effects could include reducing our reported revenues, operating income or net income, or adversely affecting our balance sheet. Such changes could adversely affect our compliance with financial covenants under our financing facilities. They could also reduce the ability of our subsidiaries to pay dividends to us, or our ability to pay dividends to our shareholders.

Two aspects of IFRS that could have a material impact on us are the recognition of regulatory assets and accounting for our concessions. Accounting for our concessions includes a potential reclassification of property, plants and equipment as intangible assets, financial assets, or both. Under Brazilian Accounting Principles and U.S. GAAP, we recognize as assets and liabilities certain amounts that we are legally entitled to collect, or required to pay, in the future under the regulations applicable to our distribution subsidiaries. Depending on the outcome of the convergence with IFRS, accounting for regulatory assets and liabilities may have a material effect on our reported financial condition and results of operations. See Item 5. Operating and Financial Review and Prospects. We and other similarly situated Brazilian companies are discussing these points with the Brazilian standard-setters and regulators, but we cannot predict the outcome of those discussions or the ultimate manner in which IFRS or Brazilian accounting standards based on IFRS will apply to us.

Risks Relating to the Preferred Shares, Preferred ADSs and Common ADSs

The preferred shares and Preferred ADSs and the Common ADSs generally do not have voting rights.

In accordance with the Brazilian Corporate Law and our by-laws, holders of our preferred shares, and, by extension, holders of our Preferred ADSs representing preferred shares, are not entitled to vote at our shareholders' meetings, except in very limited circumstances. Holders of our Preferred ADSs may also encounter difficulties in the exercise of certain rights, including limited voting rights. Under some circumstances, such as failure to provide the depositary with voting materials on a timely basis, holders of our Preferred ADSs and Common ADSs may not be able

to vote by instructing the depositary.

Exchange controls and restrictions on remittances abroad may adversely affect holders of Preferred ADSs and Common ADSs.

You may be adversely affected by the imposition of restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and the conversion of *reais* into foreign currencies. The Federal Government imposed remittance restrictions for approximately three months in late 1989 and early 1990. Restrictions like these would hinder or prevent the conversion of dividends, distributions or the proceeds from any sale of preferred shares or common shares from *reais* into U.S. dollars and the remittance of U.S. dollars abroad. We cannot assure you that the Federal Government will not take similar measures in the future. See Item 3. Key Information Exchange Rates.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our shares, Preferred ADSs or Common ADSs.

Law No. 10,833 of December 29, 2003 provides that the disposal of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposal occurs outside or within Brazil. This provision results in the imposition of income tax on the gains arising from a disposition of our preferred shares or

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common shares by a non-resident of Brazil to another non-resident of Brazil. There is no judicial guidance as to the application of Law No. 10,833 and, accordingly, we are unable to predict whether Brazilian courts may decide that it applies to disposals of our Preferred ADSs and Common ADSs between non-residents of Brazil. However, in the event that the disposal of assets is interpreted to include a disposal of our Preferred ADSs and Common ADSs, this tax law would accordingly result in the imposition of withholding taxes on the disposal of our Preferred ADSs and Common ADSs by a non-resident of Brazil to another non-resident of Brazil.

Exchanging Preferred ADSs or Common ADSs for underlying shares may have unfavorable consequences.

The Brazilian custodian for the preferred shares and common shares must obtain an electronic certificate of foreign capital registration from the Central Bank to remit U.S. dollars abroad for payments of dividends, any other cash distributions, or upon the disposition of the shares and sales proceeds related thereto. If you decide to exchange your Preferred ADSs or Common ADSs for the underlying shares, you will be entitled to continue to rely, for five business days from the date of the exchange, on the depositary bank's electronic certificate of registration in order to receive any proceeds distributed in connection with the shares. Thereafter, you may not be able to obtain and remit U.S. dollars abroad upon the disposition of the shares, or distributions relating to the shares, unless you obtain your own certificate of registration under CMN Resolution No. 2,689 of January 26, 2000, which entitles foreign investors to buy and sell on the Brazilian stock exchanges. If you do not obtain this certificate, you will be subject to less favorable tax treatment on gains with respect to the preferred or common shares. If you attempt to obtain your own certificate of registration, you may incur expenses or suffer significant delays in the application process. Obtaining a certificate of registration involves generating significant documentation, including completing and filing various electronic forms with the Central Bank and the *Comissão de Valores Mobiliários* (the Brazilian securities regulatory body), or the CVM. In order to complete this process, the investor will usually need to engage a consultant or attorney who has expertise in Central Bank and CVM regulations. Any delay in obtaining this certificate could adversely impact your ability to receive dividends or distributions relating to the preferred shares or common shares abroad or the return of your capital in a timely manner. If you decide to exchange your preferred shares or common shares back into Preferred ADSs or Common ADSs, respectively, once you have registered your investment in the preferred shares or common shares, you may deposit your preferred shares or common shares with the custodian and rely on the depositary bank's certificate of registration, subject to certain conditions. See Item 10. Additional Information Taxation Brazilian Tax Considerations.

We cannot assure you that the depositary bank's certificate of registration or any certificate of foreign capital registration obtained by you may not be affected by future legislative or other regulatory changes, or that additional Brazilian restrictions applicable to you, the disposition of the underlying preferred shares or the repatriation of the proceeds from disposition could not be imposed in the future.

The relative volatility and illiquidity of the Brazilian securities market may adversely affect our shareholders.

Investing in Latin American securities, such as the preferred shares, common shares, Preferred ADSs or Common ADSs, involves a higher degree of risk than investing in securities of issuers from countries with more stable political and economic environments and such investments are generally considered speculative in nature. These investments are subject to certain economic and political risks, such as, among others:

- changes to the regulatory, tax, economic and political environment that may affect the ability of investors to receive payment, in whole or in part, with respect to their investments; and

- restrictions on foreign investment and on repatriation of capital invested.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. This may substantially limit your ability to sell the shares underlying your Preferred ADSs or Common ADSs at a price and time at which you wish to do so. The BM&FBovespa, the only stock exchange in Brazil upon which shares are traded, had a market capitalization of approximately R\$2.33 trillion as of December 31, 2009 and an average daily trading volume of approximately R\$5.38 billion for 2009. In comparison, the operating companies listed on the New York Stock Exchange, Inc., or the NYSE, had a market capitalization of approximately US\$12.9 trillion as of December 31, 2009 and an average daily trading volume of approximately US\$69.7 billion for 2009.

Shareholders may receive reduced dividend payments if our net income does not reach certain levels.

Under our by-laws, we must pay our shareholders a mandatory annual dividend equal to at least 50% of our net income for the preceding fiscal year, based on our financial statements prepared in accordance with the accounting practices adopted in Brazil, with holders of preferred shares having priority of payment. Our by-laws also require that the mandatory

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annual dividend we pay to holders of our preferred shares equal a least the greater of 10% of the par value of our shares or 3% of the net worth value of our shares, should the payment based on 50% of our net income not surpass this amount. If we do not have net income or our net income is insufficient in a fiscal year, our management may recommend at the annual shareholders meeting in respect of that year that the payment of the mandatory dividend should not be made. However, under the guarantee of the State Government, our controlling shareholder, a minimum annual dividend of 6% of par value would in any event be payable to all holders of common shares and preferred shares issued up to August 5, 2004 (other than public and governmental holders) in the event that mandatory distributions were not made for a fiscal year. See Item 8. Financial Information Dividend Policy and Payments for a more detailed discussion.

Holders of the Preferred ADSs and Common ADS and holders of our shares may have different shareholders rights than holders of shares in U.S. companies.

Our corporate governance, disclosure requirements and accounting standards are governed by our by-laws, by the Level 1 Differentiated Corporate Governance Practices of the BM&FBovespa, and by the Brazilian Corporate Law, which may differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as Delaware or New York, or in other jurisdictions outside Brazil. In addition, the rights of an ADS holder, which are derivative of the rights of holders of our common or preferred shares, as the case may be, to protect their interests against actions by our board of directors and controlling shareholders are different under Brazilian Corporate Law than under the laws of other jurisdictions. Rules against insider trading and self-dealing and the preservation of shareholder interests may also be different in Brazil than in the United States, potentially disadvantaging holders of the preferred shares, common shares, Preferred ADSs and Common ADSs.

The sale of a significant number of our shares or the issuance of new shares may materially and adversely affect the market price of our shares, Preferred ADSs and Common ADSs.

Sales of a substantial number of shares or the perception that such sales could take place could adversely affect the prevailing market price of our shares, the Preferred ADSs and the Common ADSs. As a consequence of the issuance of new shares or sales by existing shareholders, the market price of our shares and, by extension, the Preferred ADSs and Common ADSs, may decrease significantly.

You may not be able to exercise preemptive rights with respect to our securities.

You may not be able to exercise the preemptive rights relating to the shares underlying your Preferred ADSs or Common ADSs unless a registration statement under the United States Securities Act of 1933, as amended, or the Securities Act, is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights, and we cannot assure you that we will file any such registration statement. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will be allowed to lapse.

Item 4. Information on the Company

Organization and Historical Background

We were organized in Minas Gerais, Brazil on May 22, 1952 as a *sociedade por ações de economia mista* (a state-controlled mixed capital company) with limited liability and indefinite duration, pursuant to Minas Gerais State Law No. 828 of December 14, 1951 and its implementing regulation, Minas Gerais State Decree 3,710 of February 20, 1952. Our full legal name is Companhia Energética de Minas Gerais CEMIG, but we are also known as CEMIG. Our headquarters are located at Avenida Barbacena, 1200, Belo Horizonte, Minas Gerais, Brazil. Our main telephone number is (55-31) 3506-3711.

In order to comply with legal and regulatory provisions pursuant to which we were required to unbundle our vertically integrated businesses, in 2004 we incorporated two wholly-owned subsidiaries of CEMIG Cemig Geração e Transmissão S.A., referred to as Cemig Generation and Transmission, and Cemig Distribuição S.A., referred to as Cemig Distribution. Cemig Generation and Transmission and Cemig Distribution were created to carry out the activities of electricity generation and transmission, and distribution, respectively. Except as set forth below, this process is substantially complete.

Since December 31, 2009 the following significant changes in the Company's holdings in other companies have taken place: (a) increase in the Company's equity interest in Light S.A., through acquisition of the interest held by Andrade

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Gutierrez Concessões (AGC); and (b) increase in the equity interest in Terna, through acquisition of shares held by minority stockholders who accepted the public offer to purchase such shares. For information of stockholding changes prior to December 31, 2009, see Item 7. Major Shareholders and Related Party Transactions - Principal Shareholders .

The following chart shows our corporate structure as of June 11, 2010.

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The following are our principal subsidiaries, consolidated in our financial statements as of and for the year ended December 31, 2009:

- Cemig Generation and Transmission S.A. (100% interest) engages in electricity generation and transmission and has been in operation since January 1, 2005.
- Cemig Distribution S.A. (100% interest) engages in electricity distribution and has been in operation since January 1, 2005.
- Sá Carvalho S.A. (100% interest) produces and sells electricity, holding the concession to operate the Sá Carvalho hydroelectric power plant, with installed capacity of 78 MW. The plant started operating in 1951, and its concession expires in December 2024 but can be extended for a period of up to 20 years. CEMIG acquired control of Sá Carvalho S.A. from Acesita S.A. in December 2000.
- Rosal Energia S.A. (Rosal Energia) (100% interest) produces and sells electricity, holding the concession to operate the Rosal hydroelectric power plant, with installed capacity of 55 MW. Its concession expires in May 2032 but can be extended for a period of up to 20 years. The company was formed in October 1999 and the plant began operating on December 30, 1999. CEMIG acquired 100% of the shares of Rosal Energia from the Grupo Rede in December 2004.
- Usina Térmica Ipatinga S.A. (100% interest) is a special-purpose company producing and selling electricity at the Ipatinga thermoelectric and steam power plant, with installed capacity of 40 MW. This company was formed in August 2000, began operating in 1986, and is on loan, without consideration, to CEMIG, for 15 years, until December 2014.
- Horizontes Energia S.A. (100% interest) produces and sells electricity as an independent power producer, or IPP, at the Machado Mineiro and Salto do Paraopeba hydroelectric power plants, in the State of Minas Gerais, and the Salto Voltão and Salto do Passo Velho hydroelectric plants in the State of Santa Catarina, with total installed capacity of 14.1 MW. Their concessions expire on October 4, 2030, except Machado Mineiro which expires on July 8, 2025. The company was formed in April 2001 and the plants began operating in 1992, 1992, 2001 and 2001, respectively.
- Usina Termelétrica Barreiro S.A. (100% interest) is an IPP producing and selling energy from the Barreiro thermoelectric power plant, with installed capacity of 12.9 MW. The company was formed in April 2001 and began operating in February 2004 with its authorization extending until 2023.
- Central Termelétrica de Cogeração S.A.(100% interest) operated the Barreiro thermoelectric power plant but is now a non-operational company, since operation of the plant was subsequently transferred to Usina Termelétrica Barreiro S.A. Central Termelétrica de Cogeração S.A. was formed in July 2002.

- Cemig PCH S.A. (100% interest) is an IPP operating the 23MW Pai Joaquim small hydro plant and selling the electricity produced. The company was formed in October 2001 and began operating in March 2004 under an authorization that expires in April 2032.
- Central Hidrelétrica Pai Joaquim S.A. (100% interest) operates the Pai Joaquim small hydro plant but is now a non-operational company after the plant was subsequently transferred to Cemig PCH S.A. Central Hidrelétrica Pai Joaquim S.A. was formed in July 2002.
- Cemig Capim Branco Energia S.A. (100% interest) operates the two-plant Capim Branco generating complex, through the Capim Branco Energia Consortium. The complex, renamed the Amador Aguiar Complex, has potential total installed capacity of 450 MW. The company was formed in May 2001 and the Capim Branco I plant began operating in February 2006, and Capim Branco II in March 2007. The concession runs until August 2036.
- Cemig Baguari Energia S.A. (100% interest) is CEMIG's vehicle for participation in the Baguari Hydro Plant consortium, operating the Baguari Hydro Plant. This company was formed in July 2006 and CEMIG later decided to take part in the consortium through the company Baguari Energia S.A.
- Cemig Trading S.A. (100% interest) provides services related to the sale and trading of electricity in the Brazilian electricity sector, such as evaluation of scenarios, representation of clients in the CCEE, structuring and

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intermediation of electricity purchase and sale transactions, and consultancy and advisory services. It also buys and sells electricity in the Free Market to meet the needs of its clients. It was created in July 2002.

- Efficientia S.A. (100% interest) provides electricity efficiency and optimization services, consultancy and solutions, and also operating and maintenance services to electricity supply facilities. The company was formed in January 2002.
- Cemig Telecomunicações S.A. (100% interest) provides telecommunications and related services, through multiservice networks using fiber optic cable, coaxial cable and other electronic equipment. Cemig Telecomunicações S.A. was formed in January 1999 as Empresa de Infovias S.A. In 2002, CEMIG acquired a stake in such company held by AES.
- Cemig Serviços S.A. (100% interest) was formed in April 2008 to provide services related to generation, transmission and distribution of electric power.

Our consolidated financial statements for the years ended December 31, 2009, 2008 and 2007 include the financial results of CEMIG and all its subsidiaries (operational and pre-operational) described above. See Notes 1 and 9 to the consolidated financial statements. At December 31, 2009, the following investments were not consolidated:

- Light S.A. (13.03% interest in its total capital) The main holdings of Light S.A. are Light Energia, a generator of electricity, Light Serviços de Eletricidade S.A., an electricity distributor, and Light Esco Ltda., which operates in energy trading and energy efficiency. For further details, please see Investment in Light.
- Companhia de Gás de Minas Gerais (Gasmig) (jointly controlled, 55.19% interest) acquires, transports, distributes and sells natural gas. Gasmig was formed in July 1986 and in December 2004, CEMIG sold 40% of its interest in Gasmig to Gaspetro, a wholly owned subsidiary of Petrobras, and entered into a Stockholders Agreement with Petrobras and Gaspetro. Gasmig holds a concession for distribution of piped gas throughout the state of Minas Gerais for a period of 30 years beginning in January 1993, and this period may be extended.
- Empresa Paraense de Transmissão de Energia S.A. (ETEP) (jointly controlled, 40.19% interest) is the holder of a public service electricity transmission concession for the transmission line originating at the Tucuruí Substation and ending at the Vila do Conde Substation in the State of Pará. ETEP was formed in March 2001 and CEMIG acquired its interest in ETEP in August 2006.
- Empresa Norte de Transmissão de Energia S.A. (ENTE) (jointly controlled, 36.69% interest) is the holder of a public service electricity transmission concession for two 500-kV transmission lines, the first from the Tucuruí Substation to the Marabá Substation in the State of Pará, and the second from the Marabá Station to the Açailândia Substation in the State of Maranhão. ENTE was formed in September 2002 and CEMIG acquired its interest in ENTE in August 2006.

- Empresa Regional de Transmissão de Energia S.A. (ERTE) (jointly controlled, 36.69% interest) is the holder of a public service electricity transmission concession for the 230-kV transmission line from the Vila do Conde Substation to the Santa Maria Substation in the State of Pará. ERTE was formed in September 2002 and CEMIG acquired its interest in ERTE in August 2006.
- Empresa Amazonense de Transmissão de Energia S.A. (EATE) (jointly controlled, 36.35 % interest) is the holder of the public service electricity transmission concession for the 500-kV transmission lines between the sectionalizing substations of Tucuruí, Marabá, Imperatriz, Presidente Dutra and Açailândia. EATE was formed in March 2001, and CEMIG acquired its interest in EATE in August 2006.
- Empresa Catarinense de Transmissão de Energia S.A. (ECTE) (jointly controlled, 13.37% interest) is the holder of the public service electricity transmission service concession for the 525-kV transmission line from the Campos Novos Substation to the Blumenau Substation in the State of Santa Catarina. ECTE was formed in August 2000, and CEMIG acquired its interest in ECTE in August 2006.
- Companhia de Transmissão Centroeste de Minas (jointly controlled, 51.0% interest) engages in building, implementing, operating and maintaining the 345-kV transmission line from the substation of the Furnas hydroelectric power plant to a substation located in Pimenta. Companhia de Transmissão Centroeste de Minas was formed in October 2004 and the period of the concession for the Furnas Pimenta transmission line is 30 years, beginning in March 2005.

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- Companhia Transleste de Transmissão (jointly controlled, 25.0% interest) built and operates the 345-kV transmission line connecting a substation in Montes Claros to the substation of the Irapé hydroelectric power plant. This company was formed in October 2003 and began operating in December 2005. The concession period of the Irapé-Montes Claros transmission line is 30 years, beginning in February 2004.
- Companhia Transudeste de Transmissão (jointly controlled, 24.0% interest) built, operates and maintains the 345-kV transmission line from Itutinga to Juiz de Fora. Companhia Transudeste de Transmissão was formed in October 2004 and began operating in February 2007. The period of the concession for the Itutinga Juiz de Fora transmission line is 30 years, beginning in March 2005.
- Companhia Transirapé de Transmissão (jointly controlled, 24.5% interest) built, operates and maintains the 230-kV Irapé Araçuaí transmission line. Companhia Transirapé de Transmissão was formed in December 2004 and began operating in May 2007. The period of the concession for the transmission line is 30 years, beginning in March 2005.
- Empresa Brasileira de Transmissão de Energia S.A. (EBTE) (jointly controlled, 49% interest) was formed in July 2008 as a special-purpose company to build, operate and maintain 481.6 miles of transmission lines: the 144.16 mile, 230kV, double-circuit Brasnorte Juba transmission line; the 65.87 mile double-circuit Brasnorte Parecis transmission line; the 133.59 mile double-circuit Brasnorte Juína transmission line, the 90.10 mile single-circuit Nova Mutum Sorriso transmission line, and the 47.85 mile, 230kV, single circuit Sorriso Sinop transmission line, and the Parecis and Juína 230/138/13.8 kV substations, to transmit hydroelectrically generated electricity from the Dardanelos and Jurueña complexes and strengthen the regional transmission system. Partial operational startup is planned for September 2010.
- Transchile Charrúa Transmisión S.A. (jointly controlled, 49% interest) is engaged in building, operating and maintaining the 220 kV Charrúa Nueva Temuco transmission line in Chile. Transchile Charrúa Transmisión S.A. was formed in July 2005. The period of the concession for the line is 20 years, beginning in May 2005, and it may be extended for an equal period. Its commercial operation began in January 2010.
- Baguari Energia S.A. (jointly controlled, 69.39% interest) is a special-purpose company formed in April 2008 to operate the electricity generation concession of the Baguari power plant (140 MW), through the Baguari AHE Consortium, in which CEMIG has a 49% interest. The period of the concession is 35 years, beginning in August 2006. The first and the second generation units started operating on September 9, 2009, and November 26, 2009, respectively. The third generation unit started operating on March 2, 2010 and the last generation unit started operating on May 19, 2010.
- Hidrelétrica Cachoeirão S.A. (jointly controlled, 49% interest) built and operates the Cachoeirão small hydro plant (PCH), on the Manhuaçu River, in the municipalities of Pocrane and Alvarenga, in the State of Minas Gerais, with installed capacity of 27 MW. Hidrelétrica Cachoeirão S.A. was formed in January 2007 and began operating in December 2008. Its concession period is 30 years, beginning in July 2000.
- Hidrelétrica Pipoca S.A. (jointly controlled, 49% interest) is engaged in building, operating and selling electricity generated by the Pipoca power plant on the Manhuaçu River, in the municipalities of Caratinga and Ipanema. Hidrelétrica Pipoca S.A. was

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formed in June 2004 and CEMIG acquired its interest in May 2008. The plant has installed capacity for 20 MW, with startup of the first generation unit planned for August 2010. The second and the third generation units are expected to start their operations in September 2010 and in October 2010, respectively. Its authorization period is 30 years, beginning in September 2001.

- Guanhães Energia S.A. (jointly controlled, 49% interest) is engaged in building and operating the Dores de Guanhães, Senhora do Porto and Jacaré small hydro plants in the municipality of Dores de Guanhães, and the Fortuna II plant in the municipalities of Guanhães and Virginópolis, with aggregate capacity of 44 MW. Guanhães Energia S.A. was formed in June 2006 and CEMIG acquired its interest in October 2007. Construction is planned to begin in 2010, and operational startup is planned for the first half of 2012. Its authorization period is 30 years, beginning in 2001 for Fortuna II, October 2002 for Jacaré and Senhora do Porto unit, and November 2002 for Dores de Guanhães.

- Madeira Energia S.A.(MESA) (jointly controlled, 10% interest) is a special-purpose company, formed in August 2007 to build, operate and maintain the Santo Antônio hydroelectric plant, through its wholly owned

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subsidiary Santo Antônio Energia S.A. (SAESA). The plant is being built in the basin of the Rio Madeira, in the Northern region of Brazil. It will have generating capacity of 3,150 MW and is expected to start operating in 2012. Its concession period runs for 35 years, beginning in June 2008.

- Central Eólica Praias de Parajuru S.A. (jointly controlled, 49% interest) is located in the county of Beberibe, in the State of Ceará, 63 miles from the state's capital, Fortaleza. Started commercial operation in August 2009. All the electricity, totaling 106,604 MWh/year, has been sold to Eletrobras, under the Program to Encourage Alternative Sources of Electricity (Proinfa Program) for a period of 20 years.
- Central Eólica Praia do Morgado S.A. (jointly controlled, 49% interest) is located in the county of Acaraú, in the State of Ceará, 174 miles from the State's capital, Fortaleza. It started operating in May 2010. All the electricity, totaling 115,636 MWh/year, has been sold to Eletrobras, under the Proinfa Program for a period of 20 years.
- Central Eólica Volta do Rio S.A. (jointly controlled, 49% interest) is located in the county of Acaraú, in the State of Ceará, 149 miles from the State's capital, Fortaleza, is expected to start operation in July 2010. All the electricity, totaling 161,238 MWh/year, has been sold to Eletrobras, under the Proinfa Program for a period of 20 years.
- Axxiom Soluções Tecnológicas S. A. (49% interest) provides complete services of systems implementation and management to electricity sector companies (generation, transmission and distribution). Axxiom Soluções Tecnológicas S. A. was formed on August 27, 2007 and began operating in the second half of 2008.

On July 3, 2008, CEMIG's Board of Directors authorized Cemig Generation and Transmission to acquire a 49% stake in the Itaocara Hydroelectric Power Plant and the Paracambi and Lajes Small Hydroelectric Power Plants and to join, by contract: the UHE Itaocara Consortium, in partnership with Itaocara Energia Ltda.; the PCH Paracambi Consortium, in partnership with Lightger Ltda.; and the PCH Lajes Consortium, in partnership with Light Energia S.A. The objective of each consortium is to produce technical and economic feasibility studies and to plan, build, operate and maintain the respective power plants.

The Lajes Small Hydro Plants are still at the planning and feasibility study stages.

On February 4, 2009, Cemig Generation and Transmission's Board of Directors authorized the offering of a binding proposal for a share purchase agreement to Energimp S.A. to purchase a 49% interest in three wind farms located in the State of Ceará, Brazil for R\$213 million. The transaction was completed on August 15, 2009, for R\$223 million.

The wind farms acquired include the Praias de Parajuru Wind Farm, which started operating in August 2009, the Praia do Morgado Wind Farm, which started operating in May 2010, and the Volta do Rio Wind Farm, which is expected to begin operating in July 2010, with a total installed capacity of 99.6 MW. The acquisitions were approved by ANEEL, the Federal Savings Bank (Caixa Econômica Federal), Eletrobras, and the

antitrust authority CADE (Conselho Administrativo de Defesa Econômica).

Through our subsidiaries, we believe we are the largest integrated concessionaire of electric power generation, transmission and distribution in Brazil. We operate our generation, transmission and distribution businesses pursuant to concession agreements with the Federal Government. We are party to concession agreements with ANEEL that consolidate our various generation concessions into one agreement and our several distribution concessions into four distribution concessions covering the northern, southern, eastern and western regions of Minas Gerais. We are also party to a concession agreement with ANEEL with respect to our transmission operations. In connection with the unbundling, on September 16, 2005, ANEEL approved the transfer of our concession for distribution services to Cemig Distribution and the transfer of our concession for transmission services to Cemig Generation and Transmission. On October 22, 2008, ANEEL approved the transfer of our generation concession to Cemig Generation and Transmission.

On December 31, 2009, we generated electricity at 54 hydroelectric plants, three thermoelectric plants and two wind farms and had a total installed capacity of 6,624 MW. At the same date, we owned and operated 3,085 miles of transmission lines and 281,756 miles of distribution lines. We hold concessions to distribute electricity in 96.7% of the territory of Minas Gerais.

The Brazilian electricity industry has undergone extensive regulatory restructuring as a result of which our electric generation, transmission and distribution businesses have been and will continue to be subject to increased competition. For a more detailed description of regulatory changes that affect our business. See Item 5. Operating and Financial Review and Prospects and The Brazilian Power Industry.

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Pursuant to Minas Gerais state legislation, our by-laws were amended in 1984 to allow us to participate in an expanded range of activities relating to the energy sector through separate companies. In 1986, we created Gasmig as a subsidiary to undertake the distribution of natural gas through pipelines located in Minas Gerais, of which we sold a 40% stake in 2004.

Additional Minas Gerais state legislative changes enacted in 1997 authorized us to participate in non-energy activities that can be carried out using our operating assets. In January 1999, we incorporated Empresa de Infovias S.A., a telecommunication service provider, as a joint venture with AES Força Empreendimentos Ltda., part of the AES Corporation Group. In 2002, we purchased AES Força Empreendimentos Ltda.'s interest in Empresa de Infovias S.A. (currently CEMIG Telecomunicações S.A.). We also provide consulting services and have entered into consulting agreements with electricity companies in several countries.

Acquisition of Terna

Under its strategic business plan, CEMIG has the objective of expanding its market share in the Brazilian electricity sector. For this purpose it has for some time been studying the acquisition of investments in distribution, generation and transmission businesses.

In this context, on April 23, 2009, Cemig Generation and Transmission signed a share purchase agreement with the Italian company Terna S.p.A. in relation to the shares in the transmission holding company Terna Participações S.A. (Terna). This transaction was completed on November 3, 2009 through Transmissora do Atlântico de Energia Elétrica S.A. (Atlântico), a company formed by Cemig Generation and Transmission, owning 49%, and Fundo de Investimento em Participações Coliseu (FIP Coliseu), owning 51%.

The total number of shares acquired by Atlântico was 173,527,113 common shares, representing 65.85% of the registered capital and 85.26% of the voting stock of Terna, for a price of R\$2,148,379,099.24, corresponding to R\$37.14 per unit (each unit comprises one common share and two preferred shares), and R\$12.38 for each common or preferred share. On November 4, 2009, the name of Terna Participações S.A. was changed to Transmissora Aliança de Energia Elétrica S.A. (Aliança).

In one of the agreements that regulate the partnership of Cemig Generation and Transmission with FIP Coliseu in the acquisition of the shares in Terna held by Terna Rete Elettrica Nazionale S.p.A (Terna S.p.A), there is a provision in which Cemig Generation and Transmission has granted FIP Coliseu the right to sell all of its interest in Aliança to Cemig Generation and Transmission, in the fifth year after its entry, upon payment of the amounts of capital invested net of the dividends and benefits received by FIP Coliseu in the acquisition of Terna adjusted by the variation in the IPCA inflation index +7% p.a.

Aliança is a holding company which operates in electricity transmission in 11 states of Brazil through the following companies which it controls or in which it has stockholding interests: Transmissora Sudeste Nordeste S.A. (TSN); Novatrans Energia S.A.; Empresa de Transmissão de Energia do Oeste S.A. (ETEO); Empresa de Transmissão do Alto Uruguai S.A. (ETAU) (holding 52.58% of the registered capital); Brasnorte Transmissora de Energia S.A. (holding 38.67% of the registered capital) and Terna Serviços Ltda. Together, these companies hold an aggregate 2,307 miles of transmission lines, comprising component parts of the Brazilian National Electricity Transmission Grid.

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On December 28, 2009, Atlântico was split, and the majority of it was incorporated by Aliança, being the separated part of net assets and liabilities transferred to Transmissora Alterosa de Energia S.A. (Alterosa), which assumed the obligations in relation to the public offering to acquire shares in Aliança, with the purpose to give minority stockholders the same terms in the sale of shares. After the incorporation, Cemig Generation and Transmission and FIP Coliseu directly held, respectively, 32.27% and 33.59% of the registered capital, and 41.78% and 43.48% of the voting stock, of Aliança.

The public offer to purchase shares was settled on May 11, 2010: 25,841,774 units were purchased, representing 25,841,774 common shares and 51,683,548 preferred shares, at the price of R\$38.73 per unit or R\$12.91 per common share or preferred share, a total financial volume of R\$1 billion. With the transaction, Cemig Generation and Transmission and FIP Coliseu, through Alterosa, increased their interest in the total capital of Aliança by 29.42 %, comprising 12.69% of common shares and 86.17% of preferred shares.

As a result of the public offer, Cemig Generation and Transmission and FIP Coliseu now hold an aggregate of 95.28% of the total capital of Aliança, namely 97.96% of its common shares and 86.17% of its preferred shares, with a total investment of R\$3,149 million, of which Cemig investments represent R\$1,884 million.

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Investment in Light

On December 31, 2009, through Rio Minas Energia Participações S.A. (RME), we held an indirect 13.03% interest in Light S.A., or Light, which generates, transmits and distributes electricity in the state of Rio de Janeiro. On March 28, 2006, RME signed an agreement with EDF International S.A., or EDFI, to purchase from EDFI 88.84% of its shares of Light, which represented 79.39% of the total registered capital of Light at the time of the purchase.

On May 16, 2007, the Brazilian Development Bank, or BNDES, which held convertible debentures issued by Light, exercised its option and converted 90% of the convertible debentures into shares. As a result of this conversion, representing approximately R\$713 million, BNDES became the holder of 31.44% of the total capital of Light, thereby reducing the equity interest holding of RME from 79.39% to 54.17%. On October 26, 2007, BNDES converted the remaining 10% of its convertible debentures into shares of Light, and as a result held 33.69% of the total capital of Light, diluting RME's percentage holding in Light from 54.17% to 52.25% (2.7% through its wholly owned subsidiary Lidil Comercial Ltda.).

In the second quarter of 2008, CEMIG recognized as gain R\$82.7 million from financial compensation to be paid by the other RME shareholders for CEMIG's waiver of its right to exercise an option to purchase the other RME shareholders' holdings in the generation assets of Light, which option had been purchased by CEMIG for an agreed upon amount. One RME shareholder made full payment, according to its part of the agreement, in July 2008, and the others will make their payments over a maximum of nine years, with the amounts of such payments subject to adjustment based on the SELIC rate plus 1.00% per year. Payments to CEMIG by the other RME shareholders must equal at least 10.00% of the dividends paid by Light to those shareholders each year.

On December 30, 2009, the stockholders of RME approved a stockholding reorganization based on a partial split of the company into equal parts, resulting in CEMIG and Andrade Gutierrez Concessões (AGC) holding a direct interest in Light S.A. (Light), after the transaction, while Luce Brasil Fundo de Investimento em Participações (LUCE), through Luce Empreendimentos e Participações S.A. (LEPSA), and Equatorial Energia S.A. (Equatorial), through the remaining portion of RME, kept their respective indirect interests.

On December 30, 2009, CEMIG, as purchaser, entered into share purchase agreements with AGC and Fundo de Investimento em Participações PCP (FIP PCP), the controlling stockholder of Equatorial, in relation to their respective direct and indirect stockholdings in Light. Under the provisions of these Share Purchase Agreements, the amounts were to be adjusted by the Interbank Certificates of Deposit (CDI) rate, published by Cetip S.A. Balcão Organizado de Ativos e Derivativos (the Securities Custody and Financial Settlement Center), from December 1, 2009 up to the date of closing of each transaction, less the dividends paid or declared in the period. Under the provisions of these Share Purchase Agreements, completion of the agreement signed with FIP PCP is conditional on a stockholding restructuring of Equatorial, which is the direct holder of the shares that are the subject of the transaction, and should take place in July 2010.

The share purchase agreement with AGC corresponds to 13.03% of the voting and total stock of Light. The price of the acquisition, corresponding to 26,576,149 common shares in Light, was R\$785 million, equivalent to approximately R\$29.54 per share. On March 25, 2010, CEMIG paid R\$718.5 million to AGC, corresponding to 25,494,500 shares, or 12.50% of the capital, equivalent to R\$28.18 per share. Completion of the remainder of the transaction, for 1,081,649 shares, or 0.53% of the capital, is planned for September 2010.

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The share purchase agreement with FIP PCP was entered into in connection with the acquisition of 55.41% of the indirect stockholding held by FIP PCP, the controlling stockholder of Equatorial, in Light. This interest consists of 14,728,502 common shares in Light, equivalent to 7.22% of the voting and total capital of Light. For this transaction to be completed, Equatorial will undergo a reorganization to separate out the indirect holding in Light to a new company (Newco). After that, FIP PCP will sell its indirect interest in Light, through Newco to a special purpose company in which CEMIG will hold an interest of not less than 20%. The price of this acquisition is R\$29.54 per share in Light, corresponding to R\$435.0 million, for 55.41% of the indirect interest in Light currently held by FIP PCP. If the minority stockholders of Newco exercise their tag-along rights, the value of the transaction could potentially reach a total of R\$785 million, corresponding to the total of 26,576,149 common shares in Light that Newco will hold indirectly, representing approximately 13.03% of the total and voting capital of Light.

In connection with the Share Purchase Agreements, on March 24, 2010, CEMIG entered into an option contract for sale of shares and other matters (the Put Option) with Enlighted Partners Venture Capital LLC, a limited liability company, the object of which is the grant of an option to sell the share units of Luce Investment Fund (LUCE Fund), which owns 75% of the share units in

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LUCE, which in turn is the indirect holder, through LEPSA, of 26,576,149 common shares in Light, representing approximately 13.03% of the total and voting capital of Light.

The price of the share units of LUCE Fund, in the event of the Put Option being exercised, is US\$340.5 million on December 1, 2009, less any dividends or interest on capital paid or declared from December 1, 2009 up to the exercise of the Put Option, if it is exercised.

The Put Option may be exercised from October 1 through October 6, 2010 and its exercise shall create an obligation upon CEMIG to acquire or indicate a third party that shall acquire the totality of the share units of LUCE Fund.

CEMIG's total interest in Light will depend on its interest in a special purpose company, whether minority shareholders exercise their tag-along rights and whether the Put Option is exercised.

We recognize our interest in Light as an investment and we recorded R\$132 million in income from our investment in Light in 2009.

Light's Activities

The main activities of Light are:

- Generation utilizing hydroelectric energy from the Paraíba do Sul and Ribeirão das Lajes rivers, with maximum total capacity of 855 MW.

- Distribution of electricity serving a total area of 4,236 square miles of the State of Rio de Janeiro, supplying electricity to 4.0 million consumers, representing approximately 11 million people in 31 municipalities and invoicing a total of 19,084 GWh in 2009.

- Energy trading operating in the ACL and dealing with alternative energy sources.

- Energy services providing energy and infrastructure services and focusing on energy solutions for its clients as an Energy Services Company, or ESCO.

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Light invested a total of R\$ 563.8 million in 2009 in the acquisition of fixed assets, improvements to and expansion of its distribution system and transmission network for generating facilities. This amount represented a 3.13% increase over the R\$546.7 million of capital expenditures in 2008.

Light's concession agreement to provide electricity generation, distribution and transmission services in the State of Rio de Janeiro expires on June 4, 2026 but may be renewed upon application.

Transmission Concession Holders

In 2006, CEMIG, in partnership with MDU Brasil Ltda. and Brascan Brasil Ltda., acquired 50% ownership of the voting stock of the electricity transmission concession holders EATE, ENTE, ETEP, and ERTE, and 40% of the voting stock of the transmission concession holder ECTE, for R\$802 million. Together, we refer to the companies as the Brazilian Power Transmitters (*Transmissoras Brasileiras de Energia*) (TBE).

On September 24, 2008 Brookfield Brasil TBE Participações Ltda., CEMIG's partner in TBE, exercised the option to sell its shares in the companies EATE, ECTE, ENTE, ERTE and ETEP to CEMIG, Alupar Investimento S. A. (Alupar) and Centrais Elétricas de Santa Catarina (Celesc). Jointly with Alupar and Celesc, CEMIG acquired the shares formerly owned by Brookfield in the transmission companies of the TBE Group. TBE Group consists of EATE, ENTE, ETEP, ECTE, ERTE, STC, Lumitrans, EBTE and ESDE. On June 30, 2009, CEMIG acquired 95% of the shares owned by Brookfield in EATE, ENTE, ERTE, and ETEP, and 74.5% of the shares owned by Brookfield in ECTE, for an amount corresponding to R\$479.9 million. Subsequently, on July 14, 2009, an additional 4.9% of Brookfield's shares in EATE, ENTE, ERTE and ETEP, and 3.8% of Brookfield's shares in ECTE, owned by Brookfield, were acquired for R\$25.0 million. The total expenditure was R\$504.9 million.

In October 2008, EATE acquired an 80% interest in the companies Sistemas de Transmissão Catarinense S.A. (STC) and Lumitrans Companhia Transmissora de Energia Elétrica, both located in Santa Catarina, adding R\$32 million in Permitted Annual Revenue (RAP), and 122 miles of network, to the TBE Group.

Also in 2008, EATE, jointly with Cemig Generation and Transmission, won ANEEL Auction 004/2008, Lot D, for the construction, operation and maintenance of five legs of transmission line (482 miles), involving seven substations (400MVA), in Mato

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Grosso, for RAP of R\$27 million. The company EBTE was contracted to operate the project, with EATE owning 51% of the capital and Cemig Generation and Transmission owning 49%.

In May 2009, at ANEEL Auction 001/2009, ETEP was awarded Lot H, for the construction, operation and maintenance of the 345kV Santos Dumont substation, in Minas Gerais, for RAP of R\$8 million. In June 2009, Empresa Santos Dumont de Energia S.A. (ESDE) was contracted to operate the project.

Description of the transmission concession holders

On December 31, 2009, CEMIG had direct investments (jointly controlling) in EATE, ECTE, ENTE, ERTE, ETEP and EBTE, and indirect investments in STC, Lumitrans Companhia Transmissora de Energia Elétrica, and ESDE as shown in the table below.

| Company | Connection | Length (Miles) | Capacity (kV) | Operation | Annual Permitted Revenue (1) (R\$million) | Concession contract (3) | Concession Expiration Date |
|---------------|--|----------------|---------------|---|---|-------------------------|----------------------------|
| EATE (2) | Tucuruí (Pará) to Presidente Dutra (Maranhão) | 577 | 500 | March/03 | 263.1 | June 12, 2001 | June 12, 2031 |
| ECTE (2) | Campos Novos (Santa Catarina) to Blumenau (Santa Catarina) | 157 | 525 | March/02 | 59.2 | November 1, 2000 | November 1, 2030 |
| ENTE (2) | Tucuruí (Pará) to Açailândia (Maranhão) | 285 | 500 | February/05 | 136.6 | December 11, 2002 | December 11, 2032 |
| ERTE (2) | Vila do Conde (Pará) to Santa Maria (Pará) | 96 | 230 | September/04 | 24.1 | December 11, 2002 | December 11, 2032 |
| ETEP (2) | Tucuruí (Pará) to Vila do Conde (Pará) | 201 | 500 | August/02 | 61.0 | June 12, 2001 | June 12, 2031 |
| Lumitrans (2) | Machadinho Campos Novos | 31.7 | 525 | October/07 | 16.2 | February 18, 2004 | February 18, 2034 |
| STC (2) | Barra Grande Lajes- Rio do Sul | 114.3 | 230 | November/07 | 23.5 | April 27, 2006 | April 27, 2036 |
| EBTE | Brasnorte-Juba,Brasnorte-Parecis | 481.6 | 230 | Expected to start operating partially in June/10 | 27.3 | October 16, 2008 | October 16, 2038 |
| | Brasnorte- Juína,Nova Mutum-Sorriso, Sorriso- Sinop | | | | | | |
| ESDE | LT Barbacena 2- Santos Dumont | 1.2 | 345 | Expected to start operating partially in May/2011 | 8.3 | November 19, 2009 | November 19, 2039 |
| | LT Santos Dumont- Juiz de Fora I | | | | | | |

(1) Annual revenue set by ANEEL (Resolution 843/2009) and adjusted for inflation.

(2) The operation and maintenance of transmission lines of EATE, ENTE and ERTE are carried out by Eletronorte-Centraís Eléctricas do Norte do Brasil S.A. or Electronorte and of ECTE by Celesc and Eletrosul and of STC by Celesc and Lumitrans by Eletrosul.

(3) Right acquired for commercial operation of public electricity transmission services for 30 years, renewable for the same period of time.

Under the concession contracts for these lines, the annual revenue in the last 15 years of the contracts is 50% less than the annual revenue for the first 15 years, though the annual revenue is adjusted each year for inflation in connection with the transmission companies' annual review. The annual review and revenue adjustment usually takes place in the month of July. We recognize revenue on these contracts on a straight-line basis in accordance with the nature of the services provided.

Acquisition of holdings in MDU and TBE

On November 13, 2009, CEMIG signed a share purchase agreement with MDU Resources Luxembourg II LLC, S.à.r.l. (MDU) for acquisition from MDU of 13.3% of the voting and total stock of ENTE, 13.3% of the voting and total stock of ERTE and up to 10% of the voting capital of ECTE, as approved by our Board of Directors on October 28, 2009

The approximate total value of the sale is R\$100 million as of September 30, 2009. The final amount depends on whether the shareholders will exercise their right of first refusal.

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Conclusion of the transaction and the actual acquisition of the shares by CEMIG is subject to approval by ANEEL, the BNDES and other financing agents.

Completion of the transaction will result in CEMIG having a weighted average holding in TBE of 46.6% of the common stock and 39.86% of the total stock. After the repurchase of the shares owned by Eletrobras, CEMIG's holdings in the total stock and the common stock will be equal at 46.8%.

Capital Expenditures and Investments in Affiliates

Capital expenditures and investments in affiliates for the years ended December 31, 2009, 2008 and 2007 in millions of *reais*, are as follows:

| | 2009 | Year ended December 31, 2008 | 2007 |
|--|-------|---------------------------------|-------|
| Acquisition of interest in Terna Participações S.A | 1,070 | | |
| Acquisition of interests in transmission companies | 505 | 37 | |
| Acquisition of interests in wind farms | 224 | | |
| Other investments | 215 | 183 | 26 |
| Sale of Way TV | | | (49) |
| Total investments in affiliates | 2,014 | 220 | (23) |
| Generation power projects under property, plant and equipment | 87 | 121 | 242 |
| Transmission network expansion | 23 | 12 | 64 |
| Distribution network expansion | 672 | 792 | 790 |
| Others | 69 | 46 | 24 |
| Total capital expenditures under property, plant and equipment | 851 | 971 | 1,120 |
| Total capital expenditures and investments in affiliates | 2,865 | 1,191 | 1,097 |

We currently project capital expenditures in 2010 related to property, plant and equipment of approximately R\$1,401 million. The principal uses of these capital expenditures are expected to be for the expansion of our distribution infrastructure.

We currently project investments in affiliates of approximately R\$132 million in 2010.

We expect to fund our capital expenditures and investments in affiliates in 2010 mainly from our cash flow from operations and, to a lesser extent, through financing. As the financial markets improve, we expect to finance our expansion and projects by issuing debentures as well as through commercial paper to meet short term objectives.

Business Overview

General

We are required, like other Brazilian electric utilities, to purchase electricity from the Itaipu Hydroelectric Power Plant in an amount determined by the Federal Government based on our electricity sales. See [Distribution and Purchase of Electric Power](#) [Purchase of Electric Power](#) [Itaipu](#). In addition, we purchase energy from other concessionaires. See [Distribution and Purchase of Electric Power](#) [Purchase of Electric Power](#) [Auction Contracts](#). We also purchase energy generated by self power producers, or SPPs, and independent power producers, or IPPs, that are located within our concession area.

The following table sets forth certain information, in GWh, pertaining to the electricity that we generated, purchased from other sources and delivered during the periods specified:

Table of Contents**CEMIG S ELECTRIC ENERGY BALANCE**

| (GWh) | Year ended December 31, | | |
|---|-------------------------|--------|--------|
| | 2009 | 2008 | 2007 |
| RESOURCES | 70,548 | 68,318 | 67,698 |
| Electricity generated by CEMIG (1) | 32,830 | 31,291 | 33,150 |
| Electricity generated by auto-producers | 1,167 | 1,062 | 1,047 |
| Electricity generated by Ipatinga | 210 | 355 | 362 |
| Electricity generated by Barreiro | 62 | 75 | 82 |
| Electricity generated by Sá Carvalho | 428 | 349 | 322 |
| Electricity generated by Horizontes | 79 | 41 | 36 |
| Electricity generated by Cemig PCH | 3 | 22 | 10 |
| Electricity generated by Rosal Energia | 309 | 230 | 264 |
| Electricity generated by Amador Aguiar | 641 | 610 | 505 |
| Electricity generated by Cachoeirão (5) | 148 | | |
| Electricity bought from Itaipu | 8,889 | 12,323 | 12,135 |
| Electricity bought from CCEE and other companies (2)(3) | 25,782 | 21,960 | 19,785 |
| REQUIREMENTS | 70,548 | 68,318 | 67,698 |
| Electricity delivered to final consumers (4) | 39,204 | 42,940 | 39,056 |
| Electricity delivered to auto-producers | 996 | 982 | 990 |
| Electricity delivered by Ipatinga | 211 | 355 | 362 |
| Electricity delivered by Barreiro | 84 | 98 | 100 |
| Electricity delivered by Sá Carvalho | 500 | 473 | 472 |
| Electricity delivered by Horizontes | 79 | 84 | 84 |
| Electricity delivered by Cemig PCH | 123 | 122 | 122 |
| Electricity delivered by Rosal Energia | 263 | 263 | 263 |
| Electricity generated by Cachoeirão (5) | 140 | | |
| Electricity delivered to the CCEE and other companies(2)(3) | 23,339 | 17,211 | 20,621 |
| Losses | 5,609 | 5,790 | 5,629 |

-
- (1) Discounting the losses attributed to generation (711 GWh in 2009) and the internal consumption of the generating plants.
- (2) Beginning in 2004, this amount refers to contracts, purchases and sales of electricity under the CCEE, including the Energy Reallocation Mechanism (*Mecanismo de Realocação de Energia*).
- (3) Includes bilateral contracts with other agents of the CCEE.
- (4) Includes electricity delivered to consumers outside the concession area.
- (5) Includes 100% of electricity produced by Cachoeirão Hydro Power Plant. CEMIG has a 49% interest in the consortium, and is responsible for the sale of 100% of the physical guarantee of this Small Hydro Plant.

Generation

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According to ANEEL, at December 31, 2009, we were the seventh largest electric power generation concessionaire in Brazil as measured by total installed capacity. At December 31, 2009, we generated electricity at 54 hydroelectric plants, three thermoelectric plants and two wind farms and had a total installed generation capacity of 6,642 MW of which hydroelectric plants accounted for 6,443 MW, thermoelectric plants accounted for 184 MW and our wind farms accounted for 15.11 MW. Eight of our hydroelectric plants accounted for approximately 81% of our installed electric generation capacity in 2009. During the year ended December 31, 2009, we recorded expenses totaling R\$756 million relating to transmission charge payments made to the ONS and to transmission concession holders. See Item 5. Operating and Financial Review and Prospects and The Brazilian Power Industry.

Transmission

We are engaged in the electric power transmission business, which consists of transporting electric power from the facilities where it is generated to the distribution networks for delivery to final users. We transport energy produced at our own generation facilities as well as energy that we purchase from Itaipu, and other sources, as well as the energy for the interconnected power system and other concessionaires. Our transmission network is comprised of power transmission lines with a voltage capacity equal to or greater than 230 kV and is part of the Brazilian Grid regulated by the ONS. See The Brazilian Power Industry. As of December 31, 2009, our transmission network in Minas Gerais consisted of 1,352 miles of 500 kV lines, 1,244 miles of 345 kV lines and 485 miles of 230 kV lines, as well as 35 substations with a total of 94 transformers and an aggregate transformation capacity of 15,506 MVA.

Distribution

Through Cemig Distribution, we have four distribution concession agreements in the state of Minas Gerais that grant us rights to supply electricity to consumers in that area, including consumers that may be eligible, under the legislation, to become Free Consumers (consumers with demand equal to or greater than 3 MW, or consumers with demand equal to or greater than 500 kW from alternative energy sources, such as wind, biomass or Small Hydroelectric Plants). Our concession area covers approximately 219,103

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square miles, or 96.7% of the territory of the state. As of December 31, 2009, we owned and operated 294,552 miles of distribution lines, through which we supplied 22,332 GWh to approximately 6.8 million consumers.

In 2009, a total of 15,081 GWh was carried and delivered by the electricity distribution systems. The total amount of electricity supplied to distribution consumers was 37,413 GWh, of which 52.2% was supplied to industrial consumers, 20.8% to residential consumers, 12.7% to commercial consumers, 5.9% to rural consumers and 8.3% to other consumers. Cemig Distribution is the largest electricity distribution concession holder in Brazil.

Other Businesses

While our main business consists of the generation, transmission and distribution of electricity, we also engage in the following businesses: (i) distributing natural gas in Minas Gerais through our subsidiary, Gasmig, (ii) telecommunications through our consolidated subsidiary Cemig Telecomunicações S.A. (formerly Empresa de Infovias S.A), a company created to provide fiber-optics and coaxial cable network installed along our transmission and distribution lines through which telecommunication services can be provided; (iii) national and international consulting business through our subsidiary Efficientia S.A., whose focus is to provide our largest customers in the industrial, service and commercial sectors with energy solutions; and (iv) implementation and management of systems for electricity sector companies (generation, distribution and transmission) through our subsidiary Axxiom Soluções Tecnológicas S.A., incorporated on August 27, 2007. We also seek to strengthen our business in gas and the development of alternative sources of energy, particularly oil. On February 9, 2009, our by-laws were amended to create the Office of the Chief Officer for the Gas Division, who is responsible for coordinating all the policies and processes for exploration, acquisition, storage, transportation, transmission, distribution and sale of oil and gas and their sub-products, whether derived directly or through third parties.

Revenue Sources

The following table shows the revenues attributable to each of our principal revenue sources, for the periods indicated:

| | Year ended December 31, | | |
|--|-------------------------|--------|--------|
| | 2009 | 2008 | 2007 |
| Electricity sales to final consumers | 10,994 | 10,497 | 10,191 |
| Electricity sales to the interconnected power system | 1,682 | 1,069 | 1,134 |
| Use of basic transmission and distribution networks | 1,999 | 1,865 | 1,705 |
| Services rendered | 84 | 82 | 61 |
| Telecommunication and other | 193 | 159 | 175 |
| Total | 14,952 | 13,672 | 13,266 |

Power Generation and Trading*Overview*

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The following table sets forth certain operating information concerning our electric power generation plants as of December 31, 2009:

| Facility | Installed Capacity (MW) | Assured Energy (1) (average MW) | Year Commenced Operations | Installed Capacity % of Total | Date Concession or Authorization Expires | CEMIG's Interest |
|-----------------------------------|-------------------------|---------------------------------|---------------------------|-------------------------------|--|------------------|
| Major Hydroelectric Plants | | | | | | |
| São Simão | 1,710 | 1,281.0 | 1978 | 25.7 | January 2015 | 100% |
| Emborcação | 1,192 | 497.0 | 1982 | 17.9 | July 2025 | 100% |
| Nova Ponte | 510 | 276.0 | 1994 | 7.7 | July 2025 | 100% |
| Jaguara | 424 | 336.0 | 1971 | 6.4 | August 2013 | 100% |
| Miranda | 408 | 202.0 | 1998 | 6.1 | December 2016 | 100% |
| Três Marias | 396 | 239.0 | 1962 | 6.0 | July 2015 | 100% |
| Volta Grande | 380 | 229.0 | 1974 | 5.7 | February 2017 | 100% |
| Irapé | 360 | 206.3 | 2006 | 5.4 | February 2035 | 100% |
| Aimorés | 161.7 | 84.3 | 2005 | 2.4 | December 2035 | 49% |
| Salto Grande | 102 | 75.0 | 1956 | 1.5 | July 2015 | 100% |
| Funil | 88 | 43.6 | 2002 | 1.3 | December 2035 | 49% |
| Queimado | 86.6 | 47.8 | 2004 | 1.3 | January 2033 | 82.5% |
| Sá Carvalho | 78 | 58.0 | 2000(2) | 1.2 | December 2024 | 100% |

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| Facility | Installed Capacity (MW) | Assured Energy (1) (average MW) | Year Commenced Operations | Installed Capacity % of Total | Date Concession or Authorization Expires | CEMIG's Interest |
|------------------------------|-------------------------|---------------------------------|---------------------------|-------------------------------|--|------------------|
| Rosal Energia | 55 | 30.0 | 2004 (2) | 0.8 | May 2032 | 100% |
| Itutinga | 52 | 28.0 | 1955 | 0.8 | July 2015 | 100% |
| Baguari | 47.60 | 27.26 | 2009 | 0.7 | August/2041 | 34% |
| Amador Aguiar I | 50.5 | 32.6 | 2006 | 0.8 | August/2036 | 21.05% |
| Amador Aguiar II | 44.21 | 27.6 | 2007 | 0.7 | August/2036 | 21.05% |
| Camargos | 46 | 21.0 | 1960 | 0.7 | July 2015 | 100% |
| Porto Estrela | 37 | 18.6 | 2001 | 0.6 | July 2032 | 33.3% |
| Igarapava | 30.4 | 24.4(3) | 1999 | 0.5 | December 2028 | 14.5% |
| Pai Joaquim (5) | 23 | 13.9 | 2004 | 0.4 | April 2032 | 100% |
| Cachoeirão | 13.23 | 8.02 | 2008 | 0.2 | July 2030 | 49% |
| Piau | 18 | 8.0 | 1955(2) | 0.3 | July 2015 | 100% |
| Gafanhoto | 14 | 6.7 | 1946 | 0.2 | July 2015 | |
| Smaller Hydroelectric Plants | 115.2 | 62.4 | | 1.7 | | |
| Thermoelectric Plants | | | | | | |
| Igarapé | 131 | 71.3 | 1978 | 2.0 | August 2024 | 100% |
| Ipatinga | 40 | 40 | 2000(2) | 0.6 | December 2014 | 100% |
| Barreiro (6) | 12.9 | 11.4 | 2004 | 0.2 | April 2023 | 100% |
| Wind Farm | | | | | | |
| Morro do Camelinho | 1 | 0.3 | 1994 | 0.0 | Indefinite | 100% |
| Praias do Parajuru | 14.11 | 6.11 | 2009 | 0.2 | September 2032 | 49% |
| Total | 6,641.45(4) | 4,012.59(4) | | 100.0% | | |

- (1) Assured Energy is the plant's long-term average output, as established by MME in accordance with studies conducted by the EPE. Calculation of Assured Energy considers such factors as reservoir capacity and connection to other power plants. Contracts with final consumers and other concessionaires do not provide for amounts in excess of a plant's Assured Energy.
- (2) Indicates our date of acquisition.
- (3) The amount of 5.49 average MW of Assured Energy, as set forth in the agreement with a consortium formed by Cemig Generation and Transmission and Companhia Vale do Rio Doce, Companhia Siderúrgica Nacional, Votorantim Metais e Zinco S.A and AngloGold Ashanti Brasil Ltda., is included.
- (4) This amount does not include energy related to our investment in Light, since we do not have ownership or operational control of any of Light's energy assets.
- (5) On December 19, 2005, ANEEL approved the transfer of the authorization to produce and sell the energy of the Pai Joaquim Small Hydroelectric Power Plant from Central Hidrelétrica Pai Joaquim S.A. to Cemig PCH S.A.
- (6) The Formoso Plant was deactivated according to ANEEL Decision no. 2,013 of May 29, 2009.

The following tables set forth certain additional operating information pertaining to our electricity generation operations as of the dates indicated:

| Voltage of Connection Lines | Circuit Length of Generation Lines in Miles (from power plants to generation substations) As of December 31, | | |
|-----------------------------|--|------------|---------------|
| | 2009 | 2008 | 2007 |
| 500 kV | 7 | 7 | 7 |
| 345 to 230 kV | 81(1) | 15 | 15 |
| 161 to 138 kV | 112 | 112 | 112 |
| 69 to 13.8 kV | 163(2) | 134 | 102 |
| Total | 363 | 268 | 236(3) |

**Step-Down Transformation Capacity(4)
of Generation Substations
As of December 31,**

| | 2009 | 2008 | 2007 |
|---------------------------------|-------|----------|-------|
| Number of step-down substations | 59 | 58 | 57 |
| MVA | 7,332 | 7,141(3) | 7,125 |

-
- (1) The circuit length of our 230 kV connection lines increased in 2009 because the Baguari facility began its operations.
- (2) The circuit length of our 69 kV connection lines increased in 2009 because the Wind Farm Praias do Parajuru began its operations.

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- (3) This amount does not include the Light acquisition.
- (4) Step-down transformation capacity refers to the ability of a transformer to receive energy at a certain voltage and release it at a reduced voltage for further distribution.

Generation Assets

We have incorporated the following subsidiaries in the State of Minas Gerais and other states of Brazil to operate certain of our generation facilities and to hold the related concessions:

Usina Térmica Ipatinga S.A. We operate the Ipatinga Thermolectric Power Plant through our subsidiary Usina Térmica Ipatinga S.A. This plant is an SPP (self power producer) installed and operated within the premises of Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS, or Usiminas, a large Brazilian steel manufacturer. The plant supplies power to a large steel mill owned by Usiminas, located in eastern Minas Gerais. We acquired the Ipatinga plant in 2000 for R\$90 million from Usiminas as payment for outstanding power supply debts. We have signed a power purchase agreement with Usiminas for power produced at Ipatinga. The plant currently has an installed capacity of 40 MW, generated by two units that began operating in 1986 and that use blast furnace gas as fuel.

Sá Carvalho S.A. We operate the Sá Carvalho Hydroelectric Power Plant, located on the Piracicaba River in the municipality of Antônio Dias in the State of Minas Gerais, through our subsidiary Sá Carvalho S.A., which we acquired in 2000 for R\$87 million from Acesita S.A., or Acesita, a steel company.

Rosal Energia S.A. In December 2004 we bought the Rosal hydroelectric plant, which has installed capacity of 55 MW, from Caiuá Serviços de Eletricidade S.A., or Caiuá, for a payment of R\$134 million. The Rosal plant, the sole asset of Rosal Energia, is located on the Itabapoana River, which runs along the border between the States of Espírito Santo (Municipality of Guaçuí) and Rio de Janeiro (Municipality of Bom Jesus de Itabapoana). It operates in integrated connection with the *Alegre* and *Mimoso do Sul* electricity systems, which are owned by the electricity utility of the State of Espírito Santo, Escelsa (Espírito Santo Centrais Elétricas S.A.). The plant's first and second rotors started operating in December 1999 and January 2000, respectively. It has a concession contract for 35 years, maturing in 2032.

Cemig Capim Branco Energia S.A. We incorporated Cemig Capim Branco Energia S.A. to develop the Capim Branco Generating Complex in partnership with Companhia Vale do Rio Doce, or CVRD, a mining company, Comercial e Agrícola Paineiras, an agricultural company, and Companhia Mineira de Metais, or CMM, a metallurgical company. ANEEL Resolution 314 of April 11, 2006, allowed the transfer of the electricity generation concession of CMM (through CMM's participation in Cemig Capim Branco Energia S.A.) to Votorantim Metais Zinco S.A., or VMZ; and ANEEL Resolution 478 of June 12, 2007 ratified the transaction. On March 16, 2007, ANEEL published Ruling No. 683 approving the change of the name of the Capim Branco Generating Complex to the Amador Aguiar Generating Complex. The project consists of the Amador Aguiar I and Amador Aguiar II Hydroelectric Power Plants, with installed capacity of 240 MW and 210 MW, respectively. We have entered into a purchase contract with Cemig Capim Branco Energia S.A. under which Cemig Distribution will purchase the energy produced by Amador Aguiar I and Amador Aguiar II for 20 years from the start date of each plant's commercial operations, which in the case of Amador Aguiar I was February 21, 2006, and in the case of Amador Aguiar II was March 9, 2007. This contract was submitted to ANEEL in 2003 and was approved in December 2004.

Horizontes Energia S.A. We formed Horizontes Energia S.A., or Horizontes Energia, to generate and trade electricity as an IPP (independent power producer) through the commercial operation of the following of our smaller hydroelectric plants: the Machado Mineiro Power Plant (located on the Pardo River in the municipality of Ninheira in the State of Minas Gerais, with an installed capacity of 1.72 MW); the Salto do Paraopeba Power Plant (located on the Paraopeba River in the town of Jeceaba in the State of Minas Gerais, with an installed capacity of 2.37 MW); the Salto Voltão Power Plant (located on the Chapecozinho River in the city of Xanxerê in the State of Santa Catarina, with an installed capacity of 8.2 MW); and the Salto do Passo Velho Power Plant (also located on the Chapecozinho River in Xanxerê, Santa Catarina, with an installed capacity of 1.8 MW), as well as other generating projects to be acquired or built with our participation. The concession relating to the Machado Mineiro Power Plant expires on July 7, 2025; the concessions relating to the other plants expire on October 4, 2030. All the electricity generated by Horizontes Energia S.A. is allocated for sale in the ACL, and part of this electricity has been committed for sale up to the year 2011. The Salto do Paraopeba Power Plant is currently out of service for refurbishment. We expect that this power plant will resume its operations in 2011.

Usina Termelétrica Barreiro S.A. We formed Usina Termelétrica Barreiro S.A. to participate, in partnership with Vallourec & Mannesmann V&M do Brasil S.A., or Vallourec & Mannesmann, a metallurgic company, in the construction and operation of the 12.9 MW Barreiro Thermoelectric Power Plant, located on Vallourec & Mannesmann's premises in the Barreiro neighborhood of the city of Belo Horizonte in Minas Gerais. Construction started in July 2002 and commercial generation began in

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February 2004. Usina Termelétrica Barreiro S.A. holds the assets of the Barreiro Thermoelectric Power Plant and trades its production of energy.

Cemig PCH S.A. We formed Cemig PCH S.A. to generate and trade electric energy as an IPP. Its main activity is the production and sale of electricity through the Pai Joaquim Small Hydroelectric Power Plant, as an IPP. This plant, located on the Araguari River, has an installed capacity of 23 MW and began its commercial operation on March 31, 2004. Cemig PCH S.A. holds the assets of the Pai Joaquim Small Hydroelectric Power Plant, and trades the energy produced by this plant.

Irapé Hydroelectric Power Plant The Irapé Hydroelectric Power Plant, which has an installed capacity of 360 MW, is located on the Jequitinhonha River, in northern Minas Gerais. Construction began in April 2002 and its three units began to generate electricity commercially on July 20, 2006, August 5, 2006, and October 3, 2006. The concession relating to this plant expires on February 28, 2035.

Cachoeirão Small Hydroelectric Power Plant Cemig Generation and Transmission negotiated an ownership interest in the construction and operation of Cachoeirão Small Hydroelectric Power Plant. Together with our partner in this project, Santa Maria Energética S.A. (Santa Maria Energética), we formed SPC Hidrelétrica Cachoeirão S.A., to build and operate the Cachoeirão Small Power Plant. This plant, with an installed capacity of 27 MW, is located on the Manhuaçu River, in the eastern part of Minas Gerais. Cemig Generation and Transmission has a 49% ownership interest in the SPC and Santa Maria Energética has a 51% ownership interest. Santa Maria Energética is a special-purpose company which holds the authorization for commercial operation of the Cachoeirão Small Hydroelectric Power Plant and at the end of January 2007 applied to ANEEL for permission to transfer this authorization to Hidrelétrica Cachoeirão S.A. Construction began in March 2007 and the facility began operating in December 30, 2008. The concession relating to this plant expires on July 27, 2030.

Cemig Generation and Transmission also operates the following power plants:

Queimado Hydroelectric Power Plant Our partner in this project is Companhia Energética de Brasília, or CEB, a state-controlled electricity company. CEB has a 17.5% interest and we have the remaining 82.5%. The plant, with an installed capacity of 105 MW, is located on the Preto River, and encompasses areas in the States of Minas Gerais and Goiás and in Brazil's Federal District. The power plant began its commercial generation on April 9, 2004, with the operation of its first unit. The commercial operation of the second and third units began on June 16, 2004, and July 8, 2004, respectively. The concession relating to this plant expires on January 02, 2033. Currently, our partner in Queimado is CEB Participações S.A. (CEBPar), a subsidiary of CEB, as per the second Amendment to Concession Contract 006/1997, executed on July 17, 2009.

Aimorés Hydroelectric Power Plant The Aimorés Hydroelectric Power Plant, located on the Doce River, has an installed capacity of 330 MW. We have a 49% interest in this enterprise and our partner, Valesul Alumínio S.A., has a 51% interest. Partial commercial generation began on July 30, 2005, and the plant began operating at full capacity in November 2005, when we obtained the operational license from the Brazilian Institute of the Environment and Renewable Natural Resources, or IBAMA. The concession relating to this plant expires on December 20, 2035.

Funil Hydroelectric Power Plant Also referred to as the José Mendes Junior Hydroelectric Plant, the Funil Hydroelectric Power Plant has generating capacity of 180 MW and is located on the Rio Grande river, in the southern part of Minas Gerais. We have a 49% interest in this enterprise and our partner, Companhia Vale do Rio Doce, or (CVRD), a mining company, has a 51% interest. Construction began in

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September 2000, and its three rotors began to generate commercially on 2002 and 2003. The concession relating to this plant expires on December 20, 2035.

Porto Estrela Hydroelectric Plant This plant is a project of the Porto Estrela Hydroelectric Consortium, located in the Serra da Estrela mountains in the State of Minas Gerais. It has two generating units, with total installed capacity of 112 MW. We have a 33% interest in this enterprise. The start date of the concession was July 1997, and it will end 35 years from the start date, in July 2032. Construction began on July 9, 1999, and was completed on November 9, 2001. The plant's operational license was obtained on June 29, 2001, and the first and second generating units started operating on September 4, 2001, and November 5, 2001, respectively.

Baguari Hydroelectric Power Plant A consortium formed by Cemig Generation and Transmission, Furnas Centrais Elétricas S.A., or Furnas, an electricity concessionaire of generation and transmission controlled by the Federal Government, and Baguari I Geração de Energia Elétrica S.A, a special-purpose company, or SPC, that belongs to Neoenergia S.A., a private integrated electricity sector holding company, has the concession to build and operate the Baguari Hydroelectric Power Plant and sell its energy. The power plant will have an installed capacity of 140 MW and will be located on the Doce River, in the State of Minas Gerais. Cemig Generation and Transmission has a 34% interest in this consortium. The energy generated will be commercialized in the ACR. On December 15, 2006, the State of Minas Gerais Environmental Policy Council (*Conselho Estadual de Política Ambiental*), or COPAM, issued the power plant installation license. Construction began on May 9, 2007. The plant's operational license was obtained

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on July 5, 2009, and the first and second generating units started operating on September 9, 2009, and November 26, 2009, respectively. The last two generating units started operations in March and May 2010, respectively. The concession relating to this plant expires on August 15, 2041. As of December 31, 2009, we had invested R\$179 million in this project of a total projected investment of R\$190 million.

Expansion of Generation Capacity

We are currently involved in the construction of seven hydroelectric power plants – Dores de Guanhões, Senhora do Porto, Fortuna II, Jacaré, Pipoca, Paracambi and Santo Antônio – that will increase the installed generation capacity of our hydroelectric facilities by 92.19 MW over the next three years. The following is a brief description of these projects, the completion of which are subject to various contingencies, certain of which are beyond our control.

SPE Guanhões Energia S.A. Cemig Generation and Transmission has negotiated an ownership interest in the construction and operation of the Small Hydro Plants, or PCHs, of Dores de Guanhões, Senhora do Porto, Fortuna II and Jacaré. Our partner in this project is Investminas Participações S. A., a wholly owned subsidiary of GlobalBank Participações e Investimentos S.A, which formed, with us, the company SPC Guanhões Energia S.A, or Guanhões Energia. The purpose of Guanhões Energia is to build and operate these four PCHs, namely: Dores de Guanhões, with 14 MW installed capacity; Senhora do Porto, with 12 MW capacity; Jacaré, with 9 MW; and Fortuna II, with 9 MW. Dores de Guanhões, Senhora do Porto and Jacaré will be built on the Guanhões River, located in the municipality of Dores de Guanhões, State of Minas Gerais, and Fortuna II will be built on the Corrente Grande River, located in the municipalities of Guanhões and Virginópolis, State of Minas Gerais. Cemig Generation and Transmission has a 49% ownership interest in Guanhões Energia, while Investminas Participações has the remaining 51%. Construction is expected to begin in September 2010, and commercial operation is expected to begin in the first half of 2012. The concessions relating to these plants expire in December 2031 with respect to Fortuna II, November 2032 with respect to Dores de Guanhões and October 2032 with respect to Senhora do Porto and Jacaré. As of December 31, 2009, we had invested R\$9.6 million in this project.

Pipoca Small Hydroelectric Power Plant Cemig Generation and Transmission has also negotiated a stake in the construction and operation of the Pipoca Small Hydroelectric Power Plant, in partnership with Omega Energia Renovável S.A., founded by the investment companies Tarpon Investimentos and Winbros Participações, Gestão e Investimentos, to implement and operate the project. Through Cemig Generation and Transmission, we have a 49% interest in Hidrelétrica Pipoca S.A.. The plant, with an installed capacity of 20 MW, will be located on the Manhuaçu River, in the eastern part of the State of Minas Gerais. Construction began in October 2008 and commercial generation is expected to begin in July 2010. The concession relating to this plant expires on September 10, 2031. As of December 31, 2009, we had invested R\$17 million in this project.

Paracambi Small Hydroelectric Power Plant Cemig Generation and Transmission has also negotiated a stake in the construction and operation of the Paracambi Small Hydroelectric Power Plant, in partnership with Lightger S.A., a US investment company, to implement and operate the project. We will have a 49% interest in this project. The plant, with an installed capacity of 25 MW, will be located on the Lajes River, in the eastern part of the State of Rio de Janeiro. Construction began in November 2009 and commercial generation is expected to begin in September 2011 and November 2011. The concession relating to this plant expires on December 2, 2031. In August 2009, CEMIG's Board of Directors approved the effective participation of the Company in this venture. As of December 31, 2009, we had not made any investment in this project.

Madeira Energia S.A. MESA is a special-purpose company created to implement, build, operate and maintain the Santo Antônio hydroelectric plant, in the basin of the Rio Madeira, in the northern region of Brazil. This facility will have a generating capacity of 3,150 MW. MESA is

expected to begin operations in 2012. Cemig Generation and Transmission has a 10% interest in MESA, and based on our ownership interest, we expect to invest R\$1,416 million in the development of the project.

Co-generation Joint Ventures with Consumers

We intend to enter into joint ventures with industrial consumers to develop co-generation facilities. These facilities would be built on consumers premises and would generate electricity using fuel supplied by the consumers' industrial processes. Each co-generation project would be funded in part through an agreement with the particular consumer to purchase the electricity generated in that consumer's facility. We would assume the responsibility for operating and maintaining the co-generation facility.

Wind Farms

Electric generation based on wind power is becoming one of the most promising possibilities of power generation for the near future. Besides its reduced environmental impact, this energy source is completely renewable and widely available in Brazil, according to recent prospective studies. Also, its fast technical development during recent decades resulted in competitive costs per

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MWh comparing to other alternatives of electric power generation. CEMIG is monitoring the accelerated evolution of wind power based generation and its inclusion in Brazilian energy portfolio.

Our first wind farm, Morro do Camelinho, began operating in 1994. It is located in Gouveia, a municipality in northern Minas Gerais. This project is the first wind farm in Brazil to be connected to the national electricity transmission grid and it is connected to CEMIG's distribution system. It has a total generation capacity of 1 MW, powered by four turbines with a capacity of 250 kW each. Morro do Camelinho was built through a technical and scientific cooperation arrangement with the government of Germany. The cost of the project was US\$1.5 million, with 51% of the cost provided by us and the remaining 49% provided by the government of Germany.

On February 5, 2009, Cemig Generation and Transmission's Board of Directors authorized offering a binding proposal for a share purchase agreement to Energimp S.A. to purchase a 49% interest in three wind farms located in the State of Ceará, Brazil for the amount of R\$223 million. The transaction was completed on August 15, 2009. The three wind farms, named UEE Praia do Morgado, UEE Praias de Parajuru and UEE Volta do Rio, have a total installed capacity of 99.6 MW. The acquisition is subject to the approval of ANEEL, the Federal Savings Bank (*Caixa Econômica Federal*), Eletrobras, and CADE. The UEE Praias de Parajuru started operating in August 2009, UEE Praia do Morgado started operating in May 2010 and the UEE Volta do Rio is expected to be operating by July 2010.

Central Eólica Praias de Parajuru S.A. is located in the county of Beberibe, in the State of Ceará, 63 miles from the State's capital, Fortaleza. It started commercial operation in August 2009. All the electricity, totaling 106,604 MWh/year, has been sold to Eletrobras, under the Proinfa Program for a period of 20 years.

Central Eólica Praia do Morgado S.A. is located in the county of Acaraú, in the State of Ceará, 174 miles from the State's capital, Fortaleza. It started operating in May 2010. All the electricity, totaling 115,636 MWh/year, has been sold to Eletrobras, under the Proinfa Program for a period of 20 years.

Central Eólica Volta do Rio S.A. is located in the county of Acaraú, in the State of Ceará, 149 miles from the State's capital, Fortaleza, is expected to start operation in July 2010. All the electricity, totaling 161,238 MWh/year, has been sold to Eletrobras, under the Proinfa Program for a period of 20 years.

Power Trading

Under the present regulations of the Brazilian electricity sector, power generation companies are allowed to operate in trading as well as the sale of their own production. CEMIG intensified this activity in 2009, which is complementary of the sale of its own generation, buying electricity for future sale through its power generation and trading subsidiaries, aiming further to increase the company's results. CEMIG's wholesale commercialization policy is approved by the Board of Directors and the transactions are individually approved by the Executive Board.

These transactions were previously submitted for analysis by the Energy Risks Management Committee, in which representatives of various areas of CEMIG – financial, legal, commercial, regulatory and planning – participate, for the purpose of determining the risks and results expected, using, for this, analysis of market conditions, hydrology simulation models, energy risk models, estimates of spot prices and calculation of the profit at risk.

The results of the trading activities depend on market conditions, which may be different from the company's expectations. To mitigate this risk, CEMIG seeks to avoid carrying positions, selling the electricity bought as soon as possible.

Transmission

Overview

Our transmission business consists of the bulk transfer of electricity from the power plants where it is generated to the distribution system, which carries the electricity to final consumers, and others consumer agents connected directly in the basic transmission grid. Our transmission system is comprised of transmission lines and step-down substations with voltages ranging from 230 kV to 500 kV.

During the year ended December 31, 2009, we recorded revenue totaling R\$627 million as a result of our transmission business. In turn, because we are also a distribution company and because we purchase electricity from Itaipu and others, our use of the basic transmission network requires us to pay scheduled rates to the National System Operator (*Operador Nacional do Sistema*), or

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ONS, and owners of different parts of the basic transmission network. See Item 5. Operating and Financial Review and Prospects and The Brazilian Power Industry.

We transmit both the energy that we generate and the energy that we purchase from Itaipu and other sources, as well as the energy for the interconnected power system. On December 31, 2009, we also had 13 industrial free consumers to whom we transported 4,103 GWh directly with high voltage (equal to or greater than 230 kV per industrial consumer) energy through their connections to our transmission lines. Nine of these industrial clients are CEMIG's energy consumers and accounted for approximately 66.9% of the transported total volume of electricity. We also transmit energy to distribution systems through the south/southeast-linked system of the grid.

The following tables set forth certain operating information pertaining to our transmission capacity for the dates indicated:

| Voltage of Transmission Lines | Circuit Length of Transmission Lines in Miles (from generation substations to distribution substations) As of December 31, | | |
|-------------------------------|--|-------|-------|
| | 2009 | 2008 | 2007 |
| | 500 kV | 1,352 | 1,352 |
| 345 kV | 1,244 | 1,244 | 1,244 |
| 230 kV | 485 | 485 | 485 |
| Total | 3,081 | 3,081 | 3,081 |

| Number of step-down substations MVA | Step-Down Transformation Capacity(1) of Transmission Substations As of December 31, | | |
|--|---|--------|------|
| | 2009 | 2008 | 2007 |
| | 35 | 35 | 35 |
| 15,503 | 15,503 | 15,503 | |

(1) Step-down transformation capacity refers to the ability of a transformer to receive energy at a certain voltage and release it at a reduced voltage for further distribution.

Transmission Assets

Montes Claros Irapé In September 2003, a consortium formed by Companhia Técnica de Engenharia Elétrica ALUSA, or ALUSA, Furnas, Orteng Equipamentos e Sistemas Ltda., or Orteng, and CEMIG, won the concession auctioned by ANEEL to the Montes Claros Irapé transmission line. As required in the bidding process, the partners formed the Companhia Transleste de Transmissão, which is responsible for building and operating the transmission line. We have a 25% interest in this company. This 345 kV transmission line connects a substation located in Montes Claros, a city in northern Minas Gerais, and the substation of the Irapé Hydroelectric Power Plant, with a length of approximately 86 miles. Construction of the project began in January 2005 and transmission line operations began on December 18, 2005. The concession expires on February 18, 2034. As of December 31, 2009, we had invested R\$12.4 million in this project.

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Itutinga Juiz de Fora In September 2004, a consortium formed by ALUSA, Furnas, Orteng and CEMIG, with interests of 41%, 25%, 10%, and 24% respectively, won the concession auctioned by ANEEL to the Itutinga Juiz de Fora transmission line. As required in the bidding process, the partners formed the Companhia Transudeste de Transmissão, which is responsible for building and operating this transmission line. This 345 kV transmission line, with a length of approximately 89 miles, connects the substation of the Itutinga Hydroelectric Power Plant and a substation located in Juiz de Fora, a city in southeastern Minas Gerais. We began the project in March 2005, and commercial operations began on February 23, 2007. As of December 31, 2009, we had invested R\$8.5 million in this project.

Irapé Araçuaí In November 2004, a consortium formed by ALUSA, Furnas, Orteng and CEMIG with interests of 41%, 24.5%, 10% and 24.5% respectively, won the concession auctioned by ANEEL to the Irapé Araçuaí transmission line. As required in the bidding process, the partners formed the Companhia Transirapé de Transmissão, which is responsible for building and operating this transmission line. This 230 kV transmission line, with a length of approximately 38 miles, connects the substation of the Irapé Hydroelectric Power Plant and a substation in Araçuaí, a city located in northeastern Minas Gerais. We began the project in March 2005, and commercial operations began on May 23, 2007. As of December 31, 2009, we had invested R\$6.3 million in this project.

Furnas Pimenta In September 2004, a consortium formed by Furnas and CEMIG, with interests of 49%, and 51%, respectively, won the concession auctioned by ANEEL to the Furnas Pimenta transmission line. As required in the bidding process,

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the partners formed the Companhia de Transmissão Centroeste, which is responsible for building and operating the transmission line. This 345 kV transmission line, with a length of approximately 47 miles, connects the substation of the Furnas Hydroelectric Power Plant and a substation located in Pimenta, a city in the west-central region of Minas Gerais. We began the project in March 2005. Its commercial operation began in March 2010. As of December 31, 2009, we had invested R\$16.6 million in this project.

Charrúa Nueva Temuco In April 2005 a consortium formed by ALUSA and CEMIG, with interests of 51% and 49%, respectively, won the concession auctioned by Centro de Despacho Económico de Carga del Sistema Interconectado Central, or CDEC SIC, of Chile to build, operate and maintain the Charrúa Nueva Temuco 220 kV transmission line for 20 years. This was an important event in CEMIG's history, as it was our first asset outside of Brazil. We and ALUSA formed Transchile Charrúa Transmisión S.A., an SPC incorporated in Chile and responsible for building and operating the transmission line. With a length of approximately 116 miles, the transmission line connects the substations of Charrúa and Nueva Temuco in central Chile. We began the project in June 2005 and construction began in April 2007. On July 18, 2007, Transchile Charrúa Transmisión S.A. entered into a project finance agreement with the Inter-American Development Bank in the amount of US\$51.0 million related to the transmission line and substations. Commercial operation began in January 2010. As of December 31, 2009, we had invested R\$27.6 million in this project.

Expansion of Transmission Capacity

We believe that our transmission system will need to be reinforced and expanded through the construction of new substations and transmission lines within the next five years.

In accordance with the new regulatory framework in the Brazilian electricity sector, concessions for the expansion of the electricity transmission infrastructure in Brazil are awarded by means of public biddings or are authorized by ANEEL. The following is a brief description of our current transmission projects, the completion of which are subject to various contingencies, certain of which are beyond our control:

EBTE Transmission Lines in the State of Mato Grosso In June 2008, an SPC formed by EATE and Cemig Generation and Transmission, with interests of 51%, and 49%, respectively, won the concession auctioned by ANEEL to a group of five transmission lines and two substations. As required in the bidding process, the partners formed EBTE, which is responsible for building and operating the transmission lines. The 230 kV transmission lines and substations consist of three double-circuit lines extending 344 miles and two simple-circuit lines extending 138 miles, reaching a total length of 775 482 miles, and will connect seven substations in districts of Juína, Brasnorte, Sapezal, Nova Mutum, Sorriso, Sinop, Tangará da Serra, Campo Novo dos Parecis, Lucas do Rio Verde and Vera, all located in the northern region of the State of Mato Grosso. The project was initiated in January 2009, and we expect the transmission lines operation to begin in July 2010. As of December 31, 2009, we had invested R\$76.7 million in this project.

Distribution and Purchase of Electric Power

Overview

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Our distribution operation consists of electricity transfers from distribution substations to final consumers. Our distribution network is comprised of a widespread network of overhead and underground lines and substations with voltages lower than 230 kV. We supply electricity to small industrial consumers at the higher end of the voltage range and residential and commercial consumers at the lower end of the range.

During the year ended December 31, 2009, we recorded expenses totaling R\$756 million relating to transmission payments made to the National Integrated System Operator (Operador Nacional do Sistema, or ONS) and other transmission concession holders. See Item 5. Operating and Financial Review and Prospects and The Brazilian Power Industry.

From January 1, 2002 through December 31, 2009, we invested approximately R\$851 million in the construction and acquisition of property, plant and equipment used to expand our distribution system.

The following tables provide certain operating information pertaining to our distribution system (other than Light), as of the dates presented:

Table of Contents**Circuit Length of Distribution Lines in Miles - High Voltage
(from distribution substations to final consumers)**

| Voltage of Distribution Lines | As of December 31, | | |
|-------------------------------|--------------------|----------|----------|
| | 2009 | 2008 | 2007 |
| 161 kV | 34.2 | 34.2 | 34.2 |
| 138 kV | 6,897.2 | 6,824.5 | 6,756.8 |
| 69 kV | 2,817.9 | 2,817.7 | 2,802.4 |
| 34.5 kV + Others | 593.4 | 600.2 | 600.2 |
| Total | 10,342.7 | 10,276.6 | 10,193.6 |

**Circuit Length of Distribution Lines in Miles - Medium and Low Voltage
(from distribution substations to final consumers)**

| Type of Distribution Lines | As of December 31, | | |
|--------------------------------------|--------------------|-----------|-----------|
| | 2009 | 2008 | 2007 |
| Overhead urban distribution lines | 55,608.2 | 53,685.9 | 53,064.8 |
| Underground urban distribution lines | 426.9 | 426.9 | 257.9 |
| Overhead rural distribution lines | 219,557.5 | 217,366.8 | 210,014.4 |
| Total | 275,592.6 | 271,479.6 | 263,337.1 |

**Step-Down Transformation Capacity(1)
of Distribution Substations**

| | As of December 31, | | |
|-----------------------|--------------------|-------|-------|
| | 2009 | 2008 | 2007 |
| Number of substations | 360 | 360 | 358 |
| MVA | 8,250 | 8,160 | 8,145 |

(1) Step-down transformation capacity refers to the ability of a transformer to receive energy at a certain voltage and release it at a reduced voltage for further distribution.

Physical data for the Control and Management Investment Program, or PROOBRA, were calculated by projection from the existing network. In 2003, we began to calculate this as the sum of the linear extension of the medium-voltage network and the low-voltage network available in the GEMINI system, double counting (in relation to the previous criterion) where joint medium and low voltage networks are in existence. The GEMINI system is the manager of CEMIG's distribution network. With the inclusion and startup of the Operation, Projects, Client Registry and Planning modules, all the distributor's assets are now being managed by the GEMINI system and are now the source of information for ANEEL in assembling the data on assets for the rate reviews.

As a result, the statistics on extent of networks, number of transformers, public illumination and quantity of transmission posts are now supplied by the GEMINI system on a geo-referenced basis. We believe this has resulted in more precise data, reduction of errors in valuing fixed assets, and increased reliability.

Expansion of Distribution Capacity

Our distribution expansion plan for the next five years is based on projections of market growth. For the next five years, we anticipate an increase of approximately 913,000 new urban consumers and 122,000 rural consumers. In order to accommodate this growth, we expect that we

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will need to add 225,000 medium-voltage poles, 980 miles of transmission lines and 26 step-down substations, adding 580 MVA to our distribution network, increasing the network's installed capacity by 705 MVA, including reinforcement. Ongoing projects for development of our distribution capacity include the following:

Luz para Todos We have adopted a rural electricity development program called Light for All (*Luz para Todos*) program sponsored by the Federal Government and the State Government of Minas Gerais. We plan to use the program to meet our goal of providing electricity to 100% of the rural consumers in the State of Minas Gerais. The first phase of the Light for All program supplied electricity to 190,000 additional rural residences in the State of Minas Gerais and required a total investment of approximately R\$1.7 billion, of which CEMIG invested R\$1.05 billion. This first phase included the Light in the Knowledge (*Luz no Saber*) sub-program which used solar energy to provide electricity to schools, community centers and rural homes in remote locations not yet connected to the distribution network. In 2009, the Federal Government, the State Government and the CEMIG concessionaire launched a second and third phases of the program scheduled to end on December 31, 2010. A total investment of R\$1.13 billion is projected for these phases of the program, of which CEMIG is responsible for approximately R\$373.4 million. This program will provide electricity to more than 94.9 thousand rural consumers. Therefore, we entered into two Engineering and Procurement Contracts (EPC), providing the implementation of the second phase of Light for All. One of the agreements, entered into by and between Cemig Distribution and Consórcio Iluminas (which consists of Construtora Andrade Gutierrez S/A, Orteng Equipamentos e

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Sistemas Ltda. and Construtora Barbosa Mello S/A), on July 6, 2009, is valid for 22 months and involves the total amount of R\$ 226 million. The agreement entered into by and between Cemig Distribution and Consórcio OSEC/QG/CAMTER (which consists of Odebrecht Serviços de Engenharia e Construção S/A, Construtora Queiroz Galvão S/A and CAMTER Construções e Empreendimentos S/A) on July 3, provides for the aggregate amount of R\$ 198 million and is also valid for 22 months. At the end of the Light for All Program, whose deadline is December 31, 2010, we expect to have covered 285 thousand new clients, benefiting a population of approximately 1.5 million inhabitants.

Projeto Noroeste Planned in 2003 and 2004, we launched the Northwest Program (*Projeto Noroeste*) in 2004 with the goal of adding 150 MVA of installed capacity to our distribution system in the northeastern region of the State of Minas Gerais, increasing the total available distribution capacity to 300 MVA. We aim to supply energy to the region to replace the diesel fuel traditionally used by rural producers, with the objective of contributing to local growth in a sustainable manner. The cost of the project is estimated to be R\$154 million, of which we have funded R\$133 million to date.

Cresce Minas Grow Minas (*Cresce Minas*) project was launched in 2007 to revitalize and expand the distribution system of the State of Minas Gerais, improving the reliability of the system and increasing the quality of service to consumers. The project is expected to benefit approximately 340 municipalities (41% of the total) of Minas Gerais, encompassing a total population of approximately 4.1 million, including approximately 1.1 million consumers. In 2009, CEMIG invested R\$65.5 million in capital expenditures exclusively to strengthen the medium-voltage distribution system, out of a total of R\$279.4 million projected, the balance of which is expected to be invested in turn-key projects in 2010. CEMIG also invested R\$153 million in 2009 to strengthen the sub-transmission system. In the next two years, we expect to invest an aggregate of R\$169 million in our sub-transmission and transmission systems.

Purchase of Electric Power

During the year ended December 31, 2009, we purchased 8,888.51 GWh of electricity from Itaipu, which represented approximately 31.84% of the electricity we sold to final users, and 551.69 GWh (1.98%) of electricity from Proinfa. In addition to the electricity purchased from Itaipu and Proinfa, we have two other basic types of supply arrangements: (i) purchases through public auctions, which accounted for approximately 57.38% of the electricity purchased for resale during the year ended December 31, 2009, and (ii) long-term agreements existing prior to the New Industry Model Law, which represented approximately 6.47% of the electricity purchased in 2009.

Itaipu Itaipu is one of the largest operating hydroelectric plants in the world, with an installed capacity of 14,000 MW. Centrais Elétricas Brasileiras S.A., or Eletrobras, a holding company controlled by the Federal Government, owns a 50% interest in Itaipu, while the remaining 50% is owned by the government of Paraguay. Brazil, pursuant to its 1973 treaty with Paraguay, has the option to purchase all of the electricity generated by Itaipu that is not consumed by Paraguay. Brazil generally purchases more than 95% of the electricity generated by Itaipu.

We are one of the power distribution companies operating in the south, southeast and west-central regions of Brazil that are jointly required to purchase all of Brazil's portion of the electricity generated by Itaipu. The Federal Government allocates Brazil's portion of Itaipu's power among these electric companies in amounts proportionate to their respective historical market share of total electricity sales. During the year ended December 31, 2009, we were required by law 5.899/ 1973 to purchase approximately 13.52% of the total amount of electricity purchased by Brazil from Itaipu at rates fixed to defray Itaipu's operating expenses and payments of principal and interest on Itaipu's dollar-denominated borrowings and the cost in *reais* of transmitting such power to the interconnected power system. These rates have been above the national average for bulk supply of power and are calculated in U.S. dollars. Therefore, fluctuations in the U.S. dollar/*real* exchange rate affect the cost, in real terms, of electricity we are required to purchase from Itaipu. Historically, we have been able to recover the cost of such electricity by

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charging supply rates to consumers. According to our concession agreement, increases in the supply rates may be transferred to the final consumer upon approval by ANEEL.

In the second half of 2007, ANEEL declared a decrease in the amount of energy to be purchased by some distribution companies from Itaipu. In January 2008, the amount of electricity purchased from Itaipu by each of the electric power distribution companies was reviewed and reallocated based on the actual consumption of each of these companies in 2004. Based on its review, ANEEL has determined the quantity of electricity that each distribution company must purchase from Itaipu every year until 2015. ANEEL will allocate the amounts of this energy for the distribution companies every five years, and it will review the divisions annually so that the companies may indicate their electricity requirements that will be supplied through sources other than Itaipu.

Auction Contracts We purchased electricity in public auctions at the CCEE. These contracts were formalized between CEMIG and the several sellers in accordance with the terms and conditions established in the invitation to bid. The following table sets forth the amounts of electricity contracted, average tariff and prices related to the CCEAR contracts arising from the electricity

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acquired by CEMIG in auctions during 2009. It also includes contracts signed before 2009 but still effective during that year. See The Brazilian Power Industry for more information on CCEE and CCEAR.

| Average Tariff | Electricity Contracted (MW average per year) | Term of the Contract |
|----------------|---|----------------------|
| 57.51 | 530.17 | 2005 to 2012 |
| 67.33 | 919.14 | 2006 to 2013 |
| 83.13 | 105.47 | 2008 to 2015 |
| 106.95 | 4.47 | 2008 to 2037 |
| 132.27 | 35.31 | 2008 to 2022 |
| 145.77 | 140.52 | 2009 to 2009 |
| 114.28 | 3.16 | 2009 to 2038 |
| 126.77 | 60.41 | 2009 to 2038 |
| 129.26 | 40.36 | 2009 to 2023 |
| 132.39 | 31.02 | 2009 to 2023 |
| 115.05 | 91.77 | 2010 to 2039 |
| 134.99 | 20.12 | 2010 to 2039 |
| 121.81 | 88.98 | 2010 to 2024 |
| 138.85 | 61.23 | 2010 to 2024 |
| 134.67 | 431.17 | 2010 to 2024 |
| 120.86 | 24.71 | 2011 to 2040 |
| 137.44 | 23.24 | 2011 to 2025 |
| 128.42 | 63.89 | 2011 to 2025 |
| 129.14 | 56.57 | 2012 to 2041 |
| 128.37 | 126.34 | 2012 to 2026 |
| 78.87 | 122.83 | 2012 to 2041 |

Bilateral Agreements Cemig Distribution entered into bilateral agreements with various suppliers prior to the enactment of the New Industry Model Law in 2004. Such agreements are valid under their original terms but cannot be renewed. During the year ended December 31, 2009, Cemig Distribution purchased 1,806 GWh pursuant to these agreements, which represented 6.63% of the total electricity required by Cemig Distribution during 2009.

Other Businesses*Natural Gas Distribution*

Gasmig, was established in Minas Gerais, Brazil, in 1986 for the purpose of developing and implementing the distribution of natural gas in Minas Gerais. CEMIG holds approximately 55% of Gasmig and Petrobras, through its subsidiary Gaspetro Petrobras Gas S.A., holds 40%. The remaining shares are owned by Minas Gerais Participações S.A., or MGI, the investing body of the State Government, and by the city of Belo Horizonte.

In January 1993, the State Government granted Gasmig an exclusive 30-year concession for distribution of natural gas covering the entire State of Minas Gerais and consumers located within it. Gasmig's marketing efforts focus on its ability to provide a more economically efficient and

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environmentally friendly alternative to oil, liquefied petroleum gas, or LPG, and wood. In 2009, Gasmig supplied approximately 1.5 million cubic meters of natural gas per day to 276 consumers: 175 industrial and commercial clients, 93 retail distribution stations for natural gas vehicles, two thermal power plants and six distributors of compressed natural gas, or CNG. Gasmig supplied 0.2 million cubic meters of gas per day to thermal power plants and 1.3 million cubic meters of gas per day to retail consumers. In addition to serving the conventional market and the thermal power plants, Gasmig also supplied eight clients with re-gasified liquefied natural gas, or LNG. In 2009, Gasmig distributed approximately 4.1% of all natural gas distributed in Brazil.

Gaspetro acquired its 40% equity interest in Gasmig pursuant to an Association Agreement dated August 25, 2004, among CEMIG, Gasmig, Gaspetro and Petrobras. Under the terms of the Association Agreement, Petrobras agreed to make investments to expand the capacity of the current pipelines connected to the Gasmig distribution network and to construct new pipelines, and CEMIG and Gaspetro agreed to fund Gasmig's capital expenditure plan to expand its distribution network.

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The transaction was implemented on December 15, 2004 when Petrobras, through its subsidiaries Gaspetro and TSS, concluded its acquisition of a 40% equity interest in Gasmig. On July 26, 2006, TSS was merged into Gasmig. As a condition to such investment, Petrobras and CEMIG entered into a Shareholders Agreement in which CEMIG agreed with Petrobras and its subsidiaries to share in the management of Gasmig. On December 15, 2004, Gasmig executed an additional supply contract with Petrobras which guarantees a gradual increase in supply of up to 5.1 million m³/day of natural gas, in addition to the 3.5 million m³/day that was previously contracted for. This additional supply agreement is for the supply of natural gas to the regions of the *Vale do Aço* (Steel Valley) and the south of Minas Gerais, and also for expansion of service to the regions of the Greater Belo Horizonte area, the *Zona da Mata* (in the southeast of Minas Gerais) and the *Campos das Vertentes* (historic region), in the industrial, commercial, automotive and residential markets. The additional supply agreement has a term of 20 years, and we expect to begin commercial supply pursuant to the agreement in the second half of 2010, based on market demand. Under this agreement the price will be established based on the international oil price in the New York market.

We expect that the association with Petrobras will expand Gasmig's distribution capacity, as our ability to offer natural gas to our consumers is expected to increase significantly with the implementation of Petrobras's investments in pipelines. We expect that Gasmig's capital expenditures for 2010 and 2011 will be mostly used for the expansion of our distribution network in highly industrialized areas of Minas Gerais and in the residential segment. Gasmig has already begun the necessary expansions to serve the regions of the Steel Valley and the southern region of the State of Minas Gerais.

We do not account for our interest in Gasmig as a consolidated investment in our financial statements, in accordance with the Emerging Issues Task Force, or EITF, Issue No. 96-16, *Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights*. We also considered the FASB Interpretation No. 46R (*FIN 46R*), *Consolidation of Variable Interest Entities* and FASB Accounting Standards Update No. 2009-17 (*ASU 2009-17*), *Improvements to Financial Reporting by Enterprises Involved With Variable Interest Entities* (originally issued as FASB Statement No. 167, *Amendments to FASB Interpretation No. 46R*). We consolidated Gasmig's revenues and expenses for the period from January 1, 2004 to December 15, 2004, the date of the sale of our 40.00% equity interest in Gasmig to Petrobras.

Other than with respect to the LNG supplied to Gasmig by a joint venture between Petrobras and White Martins Gases Industriais Ltda., or White Martins, Gasmig purchases all its natural gas needs from Petrobras, and such natural gas is mainly provided by Petrobras's own deposits. Our relationship with Petrobras is governed by two long term agreements, expiring in 2020 and 2028. The price Gasmig charges its clients is based on the price charged by Petrobras plus a margin. Therefore, all cost increases in Gasmig's purchase of natural gas are passed on to its clients through rates increases.

Minas Gerais accounted for approximately 4.1% of the total natural gas consumption in Brazil in 2009. Many energy-intensive industries such as cement, steel, ferroalloys and metallurgy have significant operations in the state. We estimate that the total demand for natural gas in Minas Gerais will amount to nearly 3.6 million cubic meters of gas per day by 2012, which exceeds the available supply we project. Gasmig's key strategy is to expand its distribution network in order to serve the portion of the demand not yet reached. Gasmig is engaged in the development of new projects to extend its natural gas distribution systems to reach consumers in other areas of Minas Gerais, mainly in heavily industrialized areas. In 2006, Gasmig began supplying natural gas to three industrial companies and two VNG retail distribution stations in the region of the Steel Valley, thus concluding the first phase of service to that region of the State of Minas Gerais. The average volume of natural gas distributed in the first phase was approximately 200,000 cubic meters/day. Gasmig accelerated the start date to August 2006, providing service to the southern region of the State of Minas Gerais, through re-gasification of the LNG contracted with GásLocal, a joint venture of Petrobras and White Martins.

In 2009, Gasmig had gross revenues of approximately R\$557 million and net income of approximately R\$77 million. We recognized R\$42 million as income from Gasmig in 2009.

In 2009, Gasmig invested approximately R\$427 million in the expansion of its gas pipeline network to serve more clients in the State of Minas Gerais. The funds to finance the expansion came primarily from its own cash flow and reinvestment of the dividends payable to CEMIG. There were no changes in the Gasmig's shareholder structure. Currently, the natural gas pipeline which brings natural gas from the Campos oil basin (State of Rio de Janeiro, Brazil) operates at full capacity, and further investment by the Federal Government will be necessary to expand its capacity or construct a new pipeline to supply the anticipated growing natural gas demand in the State of Minas Gerais.

Exploitation and Production of Crude Oil and Natural Gas

On December 18, 2008, CEMIG and its partners, Companhia de Desenvolvimento Econômico de Minas Gerais - Codemig, (Codemig) Comp Exploração e Produção de Petróleo e Gás S.A. (Comp), Sipet Agropastoril Ltda. (Sipet) and Orteng Equipamentos e Sistemas Ltda. (Orteng), participated in the Brazil Round 10 Auction carried out by the National Agency of Oil, Natural Gas and Biofuels (Agência Nacional do Petróleo, Gás Natural e Biodiesel), or ANP, and was granted the execution of

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concession agreements for four exploratory blocks (SF-T-104, SF-T-114, SF-T-120 and SF-T-127) in the São Francisco Basin, one block (POT-T-603) in the Potiguar Basin, and one block (REC-T-163) in the Recôncavo Baiano Basin. On June 30, 2009, the consortia formed by CEMIG, Codemig, Comp, Sipet, and Orteng signed the concession agreements regarding the blocks SF-T-120, SF-T-127 and POT-T-603. The participation of both CEMIG and Codemig is 24.5% each. The total participation of Comp, Sipet, and Orteng is 51%, but the individual participation of these three companies varies, depending on the block. In the near future, CEMIG, Codemig e Imetame Energia S.A. (presently called Comp Exploração e Produção de Petróleo e Gás S.A.) will form a consortia to be responsible for the concession agreements regarding the blocks SF-T-104, SF-T-114 and REC-T-163. The three consortia will have the same composition: CEMIG 24.5%, Codemig 24.5%, and Imetame 51%. CEMIG's projected investment is not expected to exceed R\$30 million in the exploitation phase.

Telecommunications, Internet and Cable Television

On January 13, 1999, Empresa de Infovias S.A., currently designated as Cemig Telecomunicações S.A., was incorporated in Minas Gerais, Brazil, as a joint venture with AES Força Empreendimentos Ltda., an affiliate of AES Corporation Group. Currently, we own an equity interest of 99.9% in the capital stock of Cemig Telecomunicações S.A., which has an optical fiber-based long-distance communications backbone installed along our power grid using optical ground wire cables. This communications backbone is connected to an access network that is based on hybrid fiber-coaxial cable technology and is deployed along our power grid. Pursuant to Brazilian telecommunications law, we also make our network infrastructure available to other telecommunications providers interested in leasing it.

Cemig Telecomunicações S.A. started its business operations in January 2001. The main telecommunication services provided by Cemig Telecomunicações S.A. through its network are signal transportation and access, both for point-to-point and point-to-multipoint applications, delivered mainly to telecommunications operators and Internet service providers on a clear channel basis. Cemig Telecomunicações S.A. is also extending its broadband Internet services, currently available in the cities of Belo Horizonte, Poços de Caldas, Barbacena, Contagem, Sete Lagoas, Ipatinga and Uberaba, to other cities in Minas Gerais.

Cemig Telecomunicações S.A. provides the network for cable television service in 12 cities in Minas Gerais pursuant to a 15-year service agreement, that expires on December 31, 2015, with WAY TV Belo Horizonte S.A. (OITV), and Brasil Telecomunicações S.A., each a holder of concessions to provide cable television and Internet service in certain cities in Minas Gerais, under which Cemig Telecomunicações S.A. allows these companies to use its network infrastructure. In return, Brasil Telecomunicações is obligated to deliver to Cemig Telecomunicações S.A. a percentage of the revenues derived from their cable television and Internet services and OITV pays per kilometer of the network used.

Cemig Telecomunicações S.A. also provides intra-company data transmission services to us pursuant to a five-year agreement signed in 2001 and renewed in October 2007. We use this service for internal communications as well as for certain communications with our consumers.

Pursuant to an authorization issued in 2009 by the National Telecommunications Agency (ANATEL), Cemig Telecomunicações S.A. was permitted to promote fixed phone service (serviço telefônico fixo comutado) (STFC) in local and national long distance modalities.

In 2009, Cemig Telecomunicações S.A.'s gross revenues were R\$119.0 million, while its net income was R\$28 million.

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Cemig Telecomunicações S.A.'s capital expenditures for the past five years were an aggregate of R\$118.2 million, and its capital expenditures for 2010 are expected to be mostly used for expansion of its telecommunications network.

Consulting and Other Services

We provide consulting services to governments and public utility companies in the electricity industry in order to derive additional revenues from the technology and expertise we have developed through our operations. During the past ten years, we have provided such services to government agencies and utilities in ten countries, including Canada, Paraguay, Honduras, El Salvador and to the government of Panama.

On January 9, 2002 we created Efficientia S.A., or Efficientia, in Minas Gerais, to provide project efficiency optimization solutions and operational and management services to energy supply facilities. We have a 100% interest in Efficientia, which began operating in 2003. Efficientia has increased its market share and revenues in the Brazilian market for specialized consultancy services every year since it began operations. Such services include consultancy in the areas of efficiency, energy solutions, reduction of non-technical losses in other electricity distribution concession holders and the provision of preventive maintenance services.

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In 2009, Efficientia had net income of R\$5.3 million. Efficientia's gross revenues in 2009 were R\$11.6 million, a 8.8% increase from 2008. This increase in gross revenue was accompanied by operational costs of R\$4.3 million, about 31% higher than in 2008. Highlights of the consultancy projects of Efficientia in 2009 include implementation of a cogeneration power plant that uses residual gas from pig iron facilities operations and energy savings solutions for two facilities. In addition, Efficientia signed contracts to implement two new cogeneration power plants and to replace all incandescent bulbs in traffic lights in Belo Horizonte with LED lamps. The consultancy projects also included the connection of three cogeneration power plants to Cemig Distribution's grid, which will permit injection of surplus energy generated by Ituiutaba Bioenergia; Usina Monte Alegre; and Usina Cerradão (sugar and alcohol companies) into Cemig Distribution's grid. The power plants generate 100% clean and renewable energy.

In partnership with Concert Technologies S.A. (Concert), Nansen S.A. Instrumentos de Precisão (Nansen), Leme Engenharia Ltda (Leme) and FIR Capital Partners Ltda (FIR), we created Focus Soluções Tecnológicas S.A. in August 27, 2007, which name was changed in 2008 to Axxiom Soluções Tecnológicas S.A. (Axxiom), to offer solutions in technology and systems for operational management of public service concession holders, including electricity, gas, water, and sewerage and other public utility companies. We have a 49% interest in Axxiom, which began its operations in the second quarter of 2008. In 2009, Axxiom recorded losses of R\$1.2 million. On June 11, 2010, CEMIG signed, as consenting party, a private instrument of assignment of shares for consideration and other matters between Light and the companies Concert, Leme, Nansen and FIR, (the Controlling Group), for acquisition of its 51% interest in Axxiom.

In addition, The Strategic Technology Management Center (*Centro de Gestão Estratégica de Tecnologia*) (CGET), created in 2005, as a non-profit entity whose objectives include studies and research, development of alternative technologies, production of technical and scientific information and knowledge, encouragement of industrial development measures, plans and programs, projects for research and incorporation of developed or adapted technological innovations, and implementation of centers of excellence and institutions for the development of studies and provision of technological services.

Energy Losses

We recognize energy losses in connection with our operations on the national basic grid, which is operated by the ONS, referred to as the Basic Grid. These energy losses are divided into technical and non-technical losses.

Cemig Distribution total energy losses in 2009 were 5,609 GWh, compared to 5,790 GWh in 2008. Of this total in 2009, 411 GWh were related to losses in the Basic Grid attributed to CEMIG by the National Integrated System Operator (*Operador Nacional do Sistema*, or ONS). The remaining 5,198 GWh were both technical and non-technical losses in the local distribution system of Cemig Distribution and represent 11.6% of the total energy (44,938 GWh) that passed through the local system.

Technical losses accounted for approximately 80% of our energy losses in the local distribution grid in 2009. These losses are the inevitable result of the step-down transformation process and the transportation of electric energy. We attempt to minimize technical losses by performing rigorous and regular evaluations of the quality of our electricity supply and our facilities. We routinely upgrade and expand our transmission and distribution systems in order to maintain quality and reliability standards, and consequently, reduce technical losses. In addition, we operate our transmission and distribution systems at certain specified voltage levels in order to minimize losses.

Technical losses are not comparable. Longer stretches of distribution (for example in rural areas) naturally have more technical losses.

Non-technical losses accounted for the remaining approximately 20% of our energy losses in 2009 in the distribution grid and result from fraud, illegal connections, metering errors and meter defects. In order to minimize non-technical losses, we regularly take preventive actions, including inspection of consumers' meters and connections, modernization of metering systems, training of meter-reading personnel, standardization of meter installation and inspection procedures, installation of meters with quality control warranties, consumer database updating and development of a theft-protected distribution network.

Additionally, we have developed an integrated system designed to help detect and measure controllable losses in all parts of our distribution system.

Non-technical losses are partially comparable between electricity companies because they indicate a sector's inefficiencies and the social complexities within the concession area. At the end of 2009, the indicators that measure the quality of supply by Cemig Distribution, DEC (Consumer Outage Duration in hours per year) and FEC (Number of Outages Per Year), were 14.09 and 6.75, respectively, compared to 13.65 and 6.53 in 2008.

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Our distribution and generation business consumers, who are located within our concession area in Minas Gerais and outside the state, are divided into five principal categories: industrial (including mining, manufacturing and processing activities); residential; commercial (including service-oriented businesses, universities and hospitals); rural; and other (including governmental and public entities). During the year ended December 31, 2009, electricity invoiced totaled 39,651 GWh, which includes the energy sold by Cemig Distribution, Cemig Generation and Transmission and by affiliated companies.

For 2009, as compared to 2008, the volume of electric power sold to residential and commercial consumers increased by 8.5% and 5.7%, respectively, and the volume of electric power sold to rural consumers decreased by 3.8%. The other consumer category grew 1.3% (this excludes wholesale supply). The industrial consumption decreased by 15.6% from 2008 to 2009. The following table provides information regarding the number of our consumers as of December 31, 2009 and consumption by consumer category for the years ended December 31, 2009, 2008 and 2007.

| Consumer Category | Number of consumers at December 31, | | Consumption (GWh) Years ended December 31, | |
|-------------------|-------------------------------------|-----------|--|-----------|
| | 2009 | 2009 | 2008 | 2007 |
| Industrial | 75,180(1) | 22,113(2) | 26,198(2) | 24,183(2) |
| Residential | 5,601,926 | 7,774 | 7,164 | 6,813 |
| Commercial | 596,290 | 4,674 | 4,423 | 4,111 |
| Rural | 490,140 | 2,208 | 2,296 | 2,200 |
| Own consumption | 824(3) | 35 | 35 | 34 |
| Other | 68,168(4) | 2,846 | 2,810 | 2,738 |
| Total | 6,832,528 | 39,651 | 42,926 | 40,079 |

(1) Includes subsidiaries and affiliated companies.

(2) The industrial consumer category includes consumption by Cemig Distribution, Cemig Generation and Transmission, Sá Carvalho S.A., Usina Térmica Ipatinga S.A., Horizontes Energia S.A., Cemig PCH S.A., Usina Termelétrica Barreiro S.A and PCH Cachoeirão.

(3) Refers to the number of our plants, facilities and offices that use our energy, each of which is considered a consumer pursuant to ANEEL regulations.

(4) Does not include consumption through supply to other concessionaires.

In 2009, we added and billed 230,267 new final consumers, representing an increase of 3.5% compared to 2008, through the expansion of our transmission and distribution systems.

A large proportion of our energy is sold to large industrial consumers. In 2009, 165 of our clients served at medium and high voltages consumed 16,227 GWh, or 41.9% of the total of electricity that we supplied in the whole year. These clients provided 17.2% of our sales revenue from supply of electricity in 2009. Our power purchase agreements with industrial consumers have terms of three to eight years in average (a few can reach 10 to 20 years) and contain a take or pay clause for the energy and a minimum demand clause that requires the consumer to pay at least for the contracted demand, which represents the system capacity reserved for that consumer, as well as the take energy contracted. We believe that this billing method provides us a relatively stable source of revenue.

The following table shows our industrial energy sales volumes by type of industrial consumer as of December 31, 2009:

| Industrial Consumers (1) | Energy Sales Volume in GWh | Consumption as a Percentage of Total Industrial Energy Volume |
|----------------------------|-------------------------------|---|
| Steel industry | 5,974 | 27% |
| Ferroalloy industry | 3,979 | 18% |
| Chemical industry | 1,801 | 8% |
| Non-ferrous metal industry | 1,072 | 5% |
| Mining industry | 1,930 | 9% |
| Food processing | 1,505 | 7% |
| Cement industry | 946 | 4% |
| Others | 4,906 | 22% |
| Total | 22,113 | 100% |

(1) The industrial consumer category includes consumption by Cemig Distribution, Cemig Geração and Transmissão, Sá Carvalho S.A., Usina Térmica Ipatinga S.A., Horizontes Energia S.A., Cemig PCH S.A., Usina Termelétrica Barreiro S.A and PCH Cachoeirão.

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The following table sets forth the names and related industries of our ten largest consumers in 2009:

Ten Largest Consumers

(listed in order of total GWh of electricity billed by us in 2009)

| | Industry |
|--|-----------------|
| Usinas Siderúrgicas de Minas Gerais S.A.- USIMINAS (Cubatão - SP) | Steel |
| Usinas Siderúrgicas de Minas Gerais S.A.- USIMINAS (Ipatinga - MG) | Steel |
| ArcelorMittal Brasil S.A. | Steel |
| ArcelorMittal Inox Brasil S.A. | Steel |
| Gerdau Açominas S.A. | Steel |
| Companhia Brasileira de Carbureto de Cálcio - CBCC | Ferroalloys |
| Ligas de Alumínio S.A.- LIASA | Ferroalloys |
| Italmagnésio Nordeste S.A. | Ferroalloys |
| Rima Industrial S.A. | Ferroalloys |
| Companhia Ferroligas Minas Gerais - MINASLIGAS | Ferroalloys |

As a result of our strategy of offering differentiated solutions in accordance with the demand for electricity from Free Consumers, especially considering the decrease in industrial activity as a result of the international financial crisis, Cemig Generation and Transmission negotiated temporary reductions in the amounts contracted in the year 2009, and these amounts were resold in the Regulated Market. This action avoided financial losses for the Free Consumers, who are subject to settlement of any excess energy in the spot market at much lower prices than those of the contract, and generating additional revenue for CEMIG and also provided extra revenue for Cemig Generation and Transmission as the price sold to the Regulated Market was higher than the price of the original amounts that were temporarily reduced.

In 2008, we entered into two relevant groups of contracts with large Free Consumers. The first group of contracts was with the Votorantim Group, through which we will provide variable amounts of energy, from the current 145 average MW up to 670 average MW in some years. The total amount of this group of contracts is approximately R\$10.5 billion, and will expire in 2028. These contracts are expected to generate revenue to CEMIG of approximately R\$500 million per year through their expiration in 2028. The second group of contracts was signed on May 26, 2008, with the ArcelorMittal Group, for the provision of up to 313.5 average MW (twice the volume we currently provide to the ArcelorMittal Group). The total amount of this second group of contracts is approximately R\$4.4 billion and will expire in 2020. This group of contracts is expected to generate revenue to CEMIG of approximately R\$360 million per year through the expiration of the contracts in 2020.

Billing

Our monthly billing and payment procedures for electricity supply vary by levels of voltage. Our large consumers with direct connections to our transmission network are generally billed within five weekdays after their meter reading. Payment is required within five weekdays after delivery of the bill. Other consumers receiving medium voltage electricity (approximately 11,000 consumers supplied at a voltage level equal to or greater than 2.3 kV or connected by underground distribution lines) are billed within one or two days of their meter reading and payment is required within five weekdays after delivery of the bill.

Our remaining consumers are billed within five weekdays of their meter reading and payment is required within five weekdays after delivery of the bill or 10 weekdays after delivery of the bill in the case of public sector entities. Bills are prepared from meter readings or on the basis of estimated consumption.

Seasonality

Our sales of electricity are affected by seasonality. Usually, an increase in consumption by industrial and commercial consumers occurs in the fourth fiscal quarter due to increases in their activities. The seasonality of rural consumption is usually associated with rainfall periods. During the dry season, between the months of May and November, more electricity is used to irrigate crops. Certain figures representing fiscal quarterly consumption by final consumers from 2007 through 2009, in GWh, are set forth below:

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--------------|----------------------|-----------------------|----------------------|-----------------------|
| 2007 (1) (2) | 9,337 | 10,016 | 10,238 | 10,488 |
| 2008 (1) (2) | 9,948 | 10,438 | 11,312 | 11,228 |
| 2009 (1) (2) | 9,754 | 9,711 | 9,940 | 10,246 |

(1) Includes consumption by Cemig Distribution, Cemig Generation and Transmission, Sá Carvalho S.A., Usina Térmica Ipatinga S.A., Usina Térmica Barreiro S.A., Cemig PCH S.A. and Horizontes Energia S.A.

(2) Does not include supply to other concessionaires.

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Competition

Contracts with Free Consumers

We had 167 contracts with Free Consumers as of December 31, 2009. Of these contracts, 18 are with companies located outside the distribution company's concession area and represent 1,946 GWh of energy per year. These contracts with Free Consumers have terms of three to eighteen years and represent a total volume of approximately 17,384 GWh/year.

CEMIG's strategy in the Free Market has been to establish contracts of longer duration, thereby establishing and promoting a long-term relationship with our consumers. We seek to differentiate ourselves in consumer market based on the quality of our service and the added value of Cemig Generation and Transmission. This positioning, together with a sales strategy that seeks to minimize exposure to short-term prices and contracts with high Take or Pay, translates into lower risk and greater predictability of the Company's results.

At the end of 2009 we were the largest seller of energy to Free Consumers in the Free Market, with a market share of 24% of this segment in CCEE.

Concessions

Each concession that we currently hold is subject to a competitive bidding process upon its expiration. However, in accordance with the Concessions Law, existing concessions may be extended by the Federal Government without a bidding process for an additional period of up to 20 years upon application by the concessionaire, provided that the concessionaire has met minimum performance standards and that the proposal is otherwise acceptable to the Federal Government. On September 22, 2004, we applied to ANEEL for a 20-year extension of the concessions of the Emborcação and Nova Ponte hydroelectric plants. On June 14, 2007, the Federal Government approved the extension of the concessions of these power plants for a period of 20 years from July 24, 2005. The related concession contract was amended on October 22, 2008 to reflect the extension granted to Cemig Generation and Transmission.

It is possible that a number of our large industrial clients may become SPPs pursuant to the Concessions Law in order to obtain the right to generate electricity for their own use. The granting of certain concessions to our large industrial clients could adversely affect our results of operations.

Raw Materials

Water is our main raw material used for the production of energy, representing 97% of the total raw materials used. Our principal raw material expense is the purchase of fuel oil, which is consumed by our three thermoelectric plants in the electricity generation process. Fuel oil

consumption for the year ended December 31, 2009 represented an expense of R\$4 million. See The Brazilian Power Industry Regulatory Charges and Item 5. Operating and Financial Review and Prospects. We believe that supplies of fuel oil are readily available.

Environmental Matters

Overview

Our generation, transmission and distribution activities are subject to comprehensive federal and state legislation relating to the preservation of the environment. The Brazilian Constitution gives the Federal Government, states and municipalities powers to enact laws designed to protect the environment and issue enabling regulations under these laws. While the Federal Government has the power to promulgate general environmental regulation, state governments have the power to enact specific and even more stringent environmental regulation. A violator of applicable environmental laws may be subject to administrative and criminal sanctions, and will have an obligation to repair and/or provide compensation for environmental damages. Administrative sanctions may include substantial fines (from R\$50 to R\$50 million) and suspension of activities. Criminal sanctions applicable to legal entities

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may include fines and restriction of rights, whereas, for individuals, they may include imprisonment, which can be imposed against executive officers and employees of companies that commit environmental crimes.

Our environmental impact studies are prepared by multi-disciplinary teams, which analyze the environmental impacts of our projects and propose solutions to minimize their effects on the environment. Applicable law in Brazil requires that licenses be obtained in connection with the construction, installation, expansion and operation of certain types of facilities.

We believe that we are in compliance with the relevant laws and regulations in their material aspects.

We are certified under the Cemig Environmental Management System (EMS) for our operations in many municipalities, our materials storage and our logistics warehouses.

At the end of 2009, the following plants were certified under the EMS: Camargos, Salto Grande, Volta Grande, Jaguará, Três Marias, Emborcação, and Igarapé and the following were certified under ISO 14001: São Simão, Miranda, Rosal, Irapé, Nova Ponte and Itutinga. Together, these plants represent 5,767 MW of CEMIG's installed capacity, and bring the percentage of CEMIG's generating plant that is certified to 86%.

In accordance with our environmental policy, we have established various programs for prevention and control of damage, aiming to limit our risks related to environmental issues.

In 2009, we invested approximately R\$27.7 million in environmental compliance projects for plant and equipment and in the implementation of new projects, and also spent R\$60.7 million on operational and maintenance expenses for our current activities, such as final disposal of waste, putting environmental management systems in place, audits, planting of riverside forests, fish cultivation, putting tree pruning and oil policies in place, environmental education programs, maintenance of conservation units, training and other activities. We also invested R\$2.2 million in environmental research and development projects carried out jointly with universities and research institutes.

Environmental Licensing

Brazilian law requires that licenses be obtained for construction, installation, expansion and operation of any facility that utilizes environmental resources, causes environmental degradation, or pollutes or has the potential to cause environmental degradation or pollution or to harm archaeological heritage. Usually, governments of individual states manage the environmental licensing process for facilities that are expected to impact only that state. The Federal Government manages the environmental licensing process for facilities that are expected to have an environmental impact on more than one state and/or are located in two or more states.

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Failure to obtain an environmental license to construct, implement, operate, expand or enlarge an enterprise that causes significant environmental impact, such as the energy plants operated and in implementation by CEMIG, is subject to administrative sanctions, such as the suspension of activities and the payment of a fine, ranging from R\$500 to R\$50 million, as well as criminal sanctions, which include the payment of a fine, imprisonment for individuals and restriction of rights for legal entities.

The State of Minas Gerais Environmental Policy Council (*Conselho de Política Ambiental*) (COPAM) Regulatory Ordinances Nos. 17, of December 17, 1996, and 23, of October 21, 1997, provide that operational licenses shall be renewed from time to time for periods of four to eight years, depending on the size and pollution potential of the facility.

With the purpose of surveying and saving archaeological assets that have not been previously considered, Ordinance 28, of January 31, 2003, issued by the National Historical and Artistic Heritage Institute (*Instituto do Patrimônio Histórico e Artístico Nacional*), or Iphan, provides that renewals of operational licenses for hydroelectric power plants are subject to a condition requiring a favorable opinion from Iphan in relation to archaeological studies on the depletion area of the reservoir, which studies are to be sponsored by the plant operator.

Corrective Environmental Operation Licensing

Resolution No. 6, of September 16, 1987, issued by the Environmental National Council (*Conselho Nacional do Meio Ambiente*) or CONAMA, requires environmental impact assessment studies to be undertaken, and a corresponding environmental impact assessment report to be prepared, for all major electricity generation facilities built in Brazil after February 1, 1986. Facilities built prior to February 1, 1986 do not require these studies, but must obtain corrective environmental operation licenses, which may be acquired by filing a form containing certain information regarding the facility in question. Obtaining the corrective licenses for the projects which began operations before February 1986 requires presentation to the competent environmental body of an environmental

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report containing the characteristics of the project, the environmental impacts of the construction and operation, and also the mitigating and compensatory measures adopted or that are in the process of being adopted by the organization carrying out the project.

Federal Law No. 9,605, of February 12, 1998, sets penalties for facilities that operate without environmental licenses. In 1998, the Federal Government issued Provisional Measure 1,710 (currently Provisional Measure 2,163/41), which allows project operators to enter into agreements with the relevant environmental regulators for the purpose of coming into compliance with Federal Law No. 9,605/98. Accordingly, we have been negotiating with the Environmental and Natural Renewable Resources Brazilian Institute (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*) (IBAMA) and the Environmental Foundation (*Fundação Estadual do Meio Ambiente*) (FEAM) of the State of Minas Gerais to obtain the corrective environmental operation licensing for all our plants that began operating prior to February 1986. Generation facilities located within the State of Minas Gerais fall within the jurisdiction of FEAM for purposes of corrective licensing. We have agreed with FEAM to bring our facilities located in Minas Gerais into compliance on a gradual basis. We do not currently anticipate any costs and commitments in connection with any recommendations that may be made by IBAMA and FEAM.

Currently, those Cemig Generation and Transmission facilities that started operations before the Brazilian environmental legislation was passed, and which have not obtained corrective licensing, have now filed applications before the appropriate environmental bodies.

We currently have operating licenses for the following facilities: (i) hydroelectric plants: São Simão, Aimorés, Amador Aguiar I, Amador Aguiar II, Igarapava, Irapé, Itutinga, Miranda, Nova Ponte, Porto Estrela, Rosal, Funil, Queimado, Sá Carvalho and Baguari; (ii) small hydroelectric plants: Joasal, Paciência, Gafanhoto, Pai Joaquim, Rio de Pedras, Santa Luzia, Salto dos Moraes, Poquim and Piçarrão; (iii) thermoelectric plants: Barreiro and Formoso; (iv) the Morro do Camelinho wind power plant and the Praias de Parajuru wind farm; and (v) the Transmission System of the Eastern Region of the State of Minas Gerais. In 2009, Cemig obtained corrective operational licenses for the Triangle, East and Southeast Regional Transmission Systems. Nevertheless, it must be observed that some of these licenses are not currently valid and depend on a renewal process, such as the ones related to Aimorés, Irapé, Rosal, Pai Joaquim, Sá Carvalho, whereas others shall be renewed during 2010, such as Itutinga, Santa Luzia, Salto Moraes, Piçarrão.

Some of the renewal processes of our environmental licenses conducted at the environmental agency of the State of Minas Gerais depend on the decisions regarding Legal Forest Reserves. See Legal Forest Reserves.

Distribution of natural gas by Gasmig through pipelines in Minas Gerais is also subject to environmental control. We believe that all licenses for the regular operation of Gasmig's activities have been obtained. The environmental licenses for operation of the Natural Gas Distribution Network were duly issued by FEAM.

The environmental licenses issued by state or federal bodies are subject to certain conditions imposed in light of foreseen environmental impacts. In extreme circumstances, failure to comply with these conditions may result in revocation of the license. We believe we are in compliance with the requirements mentioned in our licenses. Environmental licenses are obtained subject to conditional requirements that have to be met during the period of their validity. Non-compliance with these conditional requirements can result in administrative penalties, including fines and the repeal of the environmental license. CEMIG has been complying with the demands of the environmental conditions of its licenses and periodically sends reports to the environmental regulatory authorities.

Legal Forest Reserves

Under Article 1º, § 2º, sub-item III, of Federal Law No. 4,771, of September 15, 1965 (the Federal Forest Code), a Legal Forest Reserve is an area located inside a rural property or holding, other than any area of permanent preservation, that is necessary for the sustainable use of natural resources, conservation or rehabilitation of ecological processes, conservation of biodiversity or shelter or protection of native fauna and flora.

In Minas Gerais, where the greater part of CEMIG's undertakings are located, State Law No. 14,309, of July 19, 2002, implemented in regulation by Decree 43,710, of January 8, 2004, which instituted the Forest and Biodiversity Protection Policy, ratified the obligation contained in the Federal Forest Code, requiring the constitution of a Legal Forest Reserve corresponding to 20% of the total area of a rural property, as an instrument for protection of biodiversity and shelter for flora and fauna in the state.

However, both Federal Law No. 4,771/65 and State Law No. 14,309/02 omit the concept of a rural property or holding. The regulatory concept found in the Brazilian legislation for rural properties is in the Land Statute instituted by Federal Law No. 4,504, of November 30, 1964, in which Article 4, I, defines a rural real estate property as a rustic real estate property, of continuous area, whatever its location, allocated for extractive agricultural, livestock raising or agro-industrial commercial operation.

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In the federal sphere, IBAMA's technical licensing team, in the corrective licensing of CEMIG's plants, expressed an opinion, in correspondence sent to the Company, on July 29, 2008, taking a position against the need for the constitution of a Legal Forest Reserve.

In the State of Minas Gerais, with the objective of deciding whether the obligation to constitute a Legal Forest Reserve applies to undertakings of the electricity sector, a Legal Opinion was issued by the Office of the General Attorney of the State of Minas Gerais, or AGE, on October 30, 2008, in response to a consultation from the Minas Gerais State Environment and Sustainable Development Department, or SEMAD, and the State's Economic Development Department, or SEDE, presenting the opinion that allocation of a Legal Forest Reserve is obligatory for undertakings of the electricity sector, both for those under construction and for those to be put in place in the future.

Grounded on different legal opinions, SEDE submitted a new consultation to the AGE, requesting a revision of the said Legal Opinion.

In agreement with the opinion put forward by SEDE, CEMIG supports the view that it is not obligated to constitute a Legal Forest Reserve for its undertakings, based on the following arguments:

1. The undertakings of the electricity sector are public utility activities, operating commercially under federal concession or authorization, for commercial operation of hydroelectric potential, and transmission and distribution of electricity, and are certainly not characterized as being a rural property or possession.
2. The acquisition of the real estate properties for putting in place the undertakings occurs as a function of the concession authorization by the concession-granting power, through ANEEL as intermediary, and is given on a temporary basis, which is to say that at the end of the concession or authorization, the assets revert to national ownership.
3. The environmental impacts caused to biodiversity by the implementation of the electricity sector's undertakings have already been amply compensated for. As an example of the environmental compensation specified in Brazilian legislation, already applying to the sector, we refer to the following: (I) the Environmental Compensation specified by Federal Law No. 9,985, of July 18, 2000 (the SNUC Law); (II) the Forest Compensation for suppression of vegetation or intervention in an area of permanent preservation, specified in §4º of Article 4 of Federal Law No. 4,771, of September 15, 1965 (including by Provisional Measure 2166-67, of 2001); (III) the Environmental Compensation for cutting or suppression of the Atlantic Forest biome, under Federal Law No. 11,458, of December 22, 2006; and (IV) the Forest Charge for removal of vegetation for installation of the undertakings, as specified in State Law No. 4,747, of May 9, 1968.
4. The principle of *non bis in idem* cannot thus be violated. Such an obligation would characterize a double charge imposed on concession holders.

CEMIG has submitted its justifications to SEDE, presenting the arguments in opposition to the said obligation of establishing Legal Forest Reserves.

To date, SEDE has not yet responded to CEMIG's request. The results of this process cannot currently be predicted.

Compensation Measures

According to Federal Law No. 9,985, of July 18, 2000, and corresponding Decree No. 4,340, of August 22, 2002, the companies whose activities are deemed to cause high environmental impacts are required to invest in protected areas in order to offset those impacts. Each company shall have its environmental compensation stipulated by the relevant environmental agency, depending on the specific degree of pollution or harm to the environment resulting from its activities.

Federal Decree No. 6,848/2009, issued on May 14, 2009, and State of Minas Gerais Decree No. 45.175, issued on September 17, 2009, regulate the methodology for defining compensation measures. Accordingly, up to 0.5% of the total amount invested in the implementation of a project that causes significant environmental impact must be reverted for compensation measures. The exact amount of compensation measures will be defined by the environmental agency, based on the project's specific degree of pollution and environmental harm.

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This Federal Decree also indicated that the compensation charge applies to projects implemented before the issuance of the new legislation. We have not yet assessed the effects such legislation will have on CEMIG, however, its enforcement would result in additional costs for our operations.

Fishways

Among other environmental programs, we are operating and developing the Fishways program. The dams at each of our hydroelectric generation facilities can endanger fish that inhabit the adjoining reservoirs. To reduce the impact of these facilities, fish that pass through our dams will be redirected to fishways, through which they can pass safely. Currently, for Salto Moraes, Igarapé, Funil, Baguari, Aimorés and Igarapava plants, fishways facilities have already been implemented by CEMIG and its partners

There has been no final decision by the environmental authorities regarding the obligation of building fishway projects at CEMIG's hydroelectric plants; however, there is a possibility that future decisions by the environmental authorities, changes in the environmental legislation, or even new information obtained from the studies that are currently in progress may lead to a need for the construction of fishways at all of CEMIG's hydroelectric plants, which, in its turn, may cause additional costs for CEMIG's operations, that have not yet been assessed.

Fish Management

In view of its policy for environmental conservation and sustainable development, CEMIG carries out numerous procedures to mitigate accidents involving fish in its hydroelectric power plants, such as use of sonar and counting to detect shoals; monitoring of oxygen in solution; and use of teams of professional divers to assess shoals during activities with greater environmental risk, such as startup and shutdown of rotors. Also, we are currently developing research projects in partnership with universities to study more effective techniques to control the impact of our operations on fish.

In spite of these efforts, two incidents occurred, one in 2006 and one in 2007, at the Três Marias Hydroelectric Power Plant, resulting in the death of approximately 17 tons of fish in 2007 due to lack of oxygenation, according to the State Forests Institute and estimates by the Environmental Police (8.2 tons by our estimate). The volume of dead fish was not estimated or measured in 2006. As a result, the State Forests Institute imposed two fines on us, totaling approximately R\$5.5 million, which currently corresponds to R\$ 7.7 million. We paid 50% of the fine and the rest is being negotiated with the environmental authority for application in research projects. On April 8, 2010, CEMIG and the Public Attorneys' Office of Minas Gerais State signed a Conduct Adjustment Commitment (TAC), corresponding to the amount of R\$ 6.8 million, providing for compensatory measures related to the occurrence of fish deaths, measures for prevention of leakage of oil, and measures for environmental improvement in the area of influence of the Três Marias power plant, in Três Marias, Minas Gerais.

Although the amount is not a material liability for us, we are implementing an environmental project, named Live Fish (*Peixe Vivo*) in the affected region as a way of responding to the event and reaffirming our commitment to economic and social development of the regions where we operate and where our projects are located. Fish in the exit canals of several of our plants are being monitored by specialist biologists, with the objective of becoming familiar with the dynamics of fish populations over time, the periods of their greatest activity during the day, and the locations of their greatest density. With this information, more effective techniques may be developed to control the impact of the operation of the plants on fish. CEMIG has spent R\$4.2 million in 2009 for the development of research projects linked to the Peixe Vivo program.

In 2008, two research projects were contracted for continuous monitoring of fish densities and environmental conditions in strategic stretches of the drainage basins influenced by CEMIG's plants; studying of aspects of the biology (reproduction, feeding, distribution, migration, etc.) of the fish species most affected by the procedures of maintenance of the generating units; creation of standardized databases for the information generated by the monitoring of the fish populations that will be carried out at CEMIG's plants; determination of temporal and spatial variations in the abundance of fish upstream from the plants and correlation with the water flow and quality factors that can govern their behavior, making it possible to take measures to reduce the risk of accidents from fish entering suction tubes, and also to facilitate the appropriate choice of locations for fish transposition mechanisms.

CEMIG has a hydroelectric operation on the Pandeiros River in the municipality of Januária, in the State of Minas Gerais, named the Pandeiros Small Hydro Plant, operating since 1958, with installed generating capacity of 4.2 MW. Due to the environmental characteristics of the Pandeiros river and its importance as a location for the reproduction of fish that populate the São Francisco River, Minas Gerais State passed various items of legislation in 1995 and subsequent years for the protection of the river, which affected normal operation of the Pandeiros plant.

In October 2007, at the end of a long drought, fish deaths occurred in a lake associated with the Pandeiros River, 31 miles downstream from the Pandeiros plant. Since the area is downstream from the Pandeiros plant, the Minas Gerais State Forests Institute

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associated the problem with the operation of the plant, and, together with the Minas Gerais State Public Attorneys Office, brought a legal action against CEMIG to provide technical explanations about the event. In accordance with State Forests Institute Notice No. 251016, of October 18, 2007, the Pandeiros plant was indicted and its operations were ceased.

CEMIG hired specialists who issued two technical reports to assess the matter, from the points of view of river flows and fish populations, and sent these studies to the State Forests Institute and to the Public Attorneys Office for consideration. Both reports concluded that the fish deaths resulted from natural causes arising from the natural dynamics of the Pandeiros River, relieving CEMIG of any responsibility for the events. Nevertheless, CEMIG entered into a Commitment Agreement (*Termo de Compromisso*, or TC) with the State Forests Institute and to the Public Attorneys Office. The TC sets forth several measures that must be adopted by CEMIG, amounting to R\$8 million over 10 years. Among the measures provided for in the TC, there is the management of a Conservation Unit (*Unidade de Conservação*, or UC) and the establishment of a consensual solution for the lawsuit filed by the MP.

Operations at the Pandeiros plant have not yet been resumed, and the competent environmental agency refused to grant the corrective environmental operation license for this facility, on September 19, 2008.

Urban Occupation of Rights of Way and Reservoir Banks

Gas Pipelines Our piped natural gas distribution networks are underground, crossing through inhabited areas, and using public rights of way in common with underground piping utilities operated by other public concession holders and public agencies. This increases the risk of unauthorized work without prior communication and consultation of our natural gas distribution network registers, and there is a possibility of this causing accidents, with potentially significant personal, property and environmental damage. However, all our gas networks are explicitly, and intensively, marked and signaled. Gasmig, through its Dig Safely (*Escave com Segurança*) program, has been building partnerships with the community, mainly with public authorities and holders of concessions, in addition to the companies which carry out digging in public rights of way, to ensure that before digging close to the natural gas network, they telephone Gasmig's 24-hour helpline and request support for safe execution of their work.

Transmission Lines Several of the areas to which we have a right of way in relation to our transmission lines have been occupied by unauthorized facilities (buildings, etc.) and dwellings. These occupations generate risks of electric shock and accidents involving people living at the location and constitute an obstacle for the maintenance of our electricity system. It is thus necessary to solve this situation over the coming years, either removing some of the occupants, or introducing improvements to make it possible to safely and efficiently maintain our electricity system with these occupations intact. Faced with the risks associated with this situation, we have planned two approaches for the coming years. The first is preparation of a report entitled Diagnosis of areas invaded and under risk of invasion, for strengthening of inspection activities, including installation of improvements in locations classified as having high invasion risk, for which CEMIG is identifying the areas with potential for invasion and making possible decisions on measures and procedures in relation to the control, monitoring and inspection of the transmission line paths where there is a high risk of invasion. The second line of action involves the evacuation of areas already invaded. The removal of people from these areas involves payment of indemnities, regularization of electricity connections and the opening of areas for the construction of parks and streets.

Reservoir Areas We have implemented security measures to protect our generation facility properties from trespass, using both fixed security posts and mobile patrol units, as well as electronic surveillance systems, or ESSs, where appropriate. The banks of the reservoirs of our hydroelectric generation facilities have signs indicating ownership and advising of the existence of security systems. Trespassers are deterred by the mobile patrol unit's periodic patrol of the reservoir banks. When trespassers are apprehended, police reports are filed, which are sent to the

Company's legal department for review. Due to the vast area and number of reservoirs, we are continually subjected to new trespasses and occupation of margins by unauthorized constructions. However, we are committed to preventing these invasions and any environmental damage to the Permanent Preservation Areas (Áreas de Preservação Permanente), or APPs, around the reservoirs.

The Carbon Market

We believe Brazil has significant potential to generate Carbon Credits arising from clean energy projects that comply with the Clean Development Mechanism, or CDM. Every year, we seek to quantify our emissions and to publish our main initiatives in reduction of greenhouse gas emissions, by means, for example, of the Carbon Disclosure Project.

In addition, through Efficientia, a service company controlled by us, we are developing three projects for the CDM, in co-generation of electricity from blast furnace gases in the steel sector. One of these projects is being developed with Siderúrgica Pitangui, and is at the phase of approval and registry before the Executive Council of the United Nations.

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CEMIG has two other CDM projects in progress, related to Small Hydro Plants (PCHs), as it follows: one is related to the Cachoeirão PCH 27MW, whereas the other is related to the Dores de Guanhões PCH 14MW, the Senhora do Porto PCH 12MW, the Fortuna II PCH 9MW; and the Jacaré PCH 9MW. CEMIG holds an equity interest of 49% in all of these projects.

The Project Concept Documents (DCPs) for the PCH projects have already been completed and are currently in the validation phase before the Designated Operational Entities (DOEs).

Operational Technologies

We continue to invest in automated monitoring and control equipment in connection with our strategy of increasing efficiency and further modernizing and automating our generation, distribution and transmission systems.

Load Dispatch Center

CEMIG's System Operation Center (*Centro de Operação do Sistema*), or COS, located at our head office in Belo Horizonte, is the nerve center of our operations. It coordinates the operations of our entire electricity and energy system, in real time, providing operational integration of the generation and transmission of our energy. It also provides the link with other generation, transmission and distribution companies. The supervision and control executed by the COS now extends to more than 44 extra high and high voltage substations and approximately 27 major generating power plants.

Through its activities the COS permanently guarantees the security, continuity and quality of our supply of electricity. The activities of the COS are supported by up-to-date telecommunications, automation and information technology resources, and executed by highly qualified personnel. The COS has a Quality Management System, with ISO 9001:2000 certification.

Regional Distribution Operation Centers

Our distribution network is managed through seven Regional Distribution Operation Centers (*Centros de Operações Regionais de Distribuição*), or CODs. The CODs monitor and coordinate our distribution network operations in real time. The CODs are responsible for the supervision and control of 360 distribution substations, 275,593 miles of medium voltage distribution lines, 10,343 miles of sub-transmission lines and 6.6 million consumers in our concession area, comprising 774 municipalities of Minas Gerais.

We provided an average of 12,200 services a day in 2009. All of the CODs are certified according to ISO Quality Standard 9001: 2000. There are various systems in use to automate and support the CODs' processes including: trouble call, field crew management, distribution substation supervision and control, restoration of power, emergency switching, network disconnection, and inspection. Technologies including a geographic information system and radio/satellite data communication help to reduce consumer service restoration time and provide better

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consumer service. These are devices, installed along our distribution network, that sense and interrupt fault currents, and automatically restore service after momentary outages, improving operational performance and reducing restoration time and costs.

Geospatial Information & Technology

We are intensively using geospatial and technical document management technology to support and improve engineering processes. Geo-referenced information on the electrical network, satellite and aerial photographs of the concession area, diagrams and technical document images are stored in geospatial databases and can be easily retrieved by computers connected to our corporate network, helping technicians to plan, design, construct, operate and maintain the generation, transmission and distribution network.

We are using mobile technology in service dispatch for distribution network maintenance and medium and high-voltage network data acquisition. In 2009, a new function was developed and implemented using digital maps to manage crews, services and network retrieval.

We have developed the Enterprise Image Management System *GeoImagem* which organizes and publishes the georeferenced images to GIS (Geographic Information System) users. We continue to invest in enterprise georeferenced applications based on GIS technology for advanced spatial analysis.

Internal Telecommunications Network

Our telecommunications network is one of the largest in Brazil. It includes high performance microwave links with more than 220 communication stations, an optical system with 1,557 miles of optical fibers and a mobile communication system with 811 radios including 644 trunking and VHF radios and 167 UHF and VHF portable radios. A total of 420 mobile radios have data interface

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to mobile terminals installed in vehicles for dispatch systems (operation and maintenance), which also have 940 mobile terminals connected through satellites.

Corporate Data Network

Our corporate network integrates enterprise servers (20 Reduced Instruction Set Computer (RISC) machines for the ERP and the new commercial systems), 9,622 Intel microcomputers, 270 servers and 1,400 connectivity devices, serving 216 sites in 137 cities of Minas Gerais. The centralized infrastructure uses modern servers and devices with service level agreements for hardware maintenance and software support. The process of reception of meter reading data, digital calculation of electricity bills, and issuance of electricity bills to consumers in CEMIG's secondary network has been ISO 9001:2000 certified since 2005. Our information security systems are constantly updated for access control, firewalls, antispam and antivirus, to protect all data and functionalities against unauthorized access. We use mobile solutions, such as wireless devices, PDAs and cellular phones for easy access to data and field operations.

In 2009, the RISC environment improved its processing capacity by 63% and 2,210 Intel microcomputers were replaced by newer models.

IT Governance Program

We started an IT governance program in 2005. It is based on two main principles: (i) aligning IT strategy with the overall strategy of the business; and (ii) helping the Company to manage the risks associated with implementing new technologies.

Numerous actions have been taken in recent years. The most important was the adoption of ITIL® best practices. The following ITIL® processes and functions were prioritized for implementation: Incident Management, Configuration Management, Change Management, Problem Management, Capacity Management, Service Level Management and Service Desk.

In 2009, the IT governance process was officially implemented by the creation of a specific department to plan and control IT resources and projects, including management of ITIL (Information Technology Infrastructure Library) processes and PMO (Project Management Office).

Call Centers

We have one call center, in Belo Horizonte. Clients can use a toll-free number to get information on their accounts, and report service problems. The call center is integrated with the technologies available in the CODs, allowing us to give clients up-to-date information on service issues. The call center has modern facilities, with a staff of over 1,200, and is able to receive about 75,000 calls per day. Clients can also contact us by e-mail, by fax or via our website. As an indication of the service quality provided, our call center has had ISO 9001 Quality Certification since 1999.

Commercial Management System

Cemig Distribution has consolidated its new Commercial Management System (SGC), which went live on May 4, 2008, with investments of R\$178 million. The system processes data from all of CEMIG 's customers scattered throughout the state of Minas Gerais, who are supplied at high, medium and low voltages. Based on the SAP platform comprised of the CCS (Customer Care & Service), CRM (Customer Relationship Management) and BW (Business Warehouse) SAP systems, the system has proved successful in replacing the former Consumer Information System (SICO). CEMIG can now adapt more easily and rapidly to the constant changes in regulations and market demands. The company has greater access to key operations and management data, resulting in improved service and decision making.

In 2009, new software was developed to print bills on site using portable printers connected to handheld devices via Bluetooth connection. The billing process utilizes 1,108 handheld devices processing approximately 400,000 meter readings per day. This solution will increase the billing process speed and also reduce cost.

Maintenance and Repair Systems

The 10,277 miles of high voltage transmission lines in Cemig Distribution 's network, operating at 34.5 kV to 161 kV, are supported by approximately 53,495 structures, mainly made of metal. Cemig Generation and Transmission 's network has 3,085 miles of high voltage transmission lines, supported by approximately 11,676 structures. The majority of the service interruptions to our distribution and transmission lines are due to lightning, fire, vandalism, wind, and corrosion. The entire high voltage transmission line systems of Cemig Distribution and Cemig Generation and Transmission are inspected from the air once a year, using a helicopter

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equipped with a gimbal-gyro-stabilized camera, followed by simultaneous visual and thermographic (infra-red) inspections. Land-based inspections are also carried out at intervals of between one and three years, depending on the characteristics and age of the transmission line, number of outages, type of structure, and the line's importance to the electricity system as a whole.

We use modern modular aluminum structures to minimize the impact of emergencies involving fallen towers. Most of our maintenance work on transmission lines is done using live-line methods. Being the first company in Brazil to use bare-hand, live-line techniques in the maintenance of transmission lines and substations, we have accumulated, over the last 32 years, significant experience in this area. We have trained our staff in this area and have special vehicles and other necessary tools to support live- and dead-line maintenance.

We also maintain spare transformers and mobile substations to promptly reestablish power to our customers in case of emergencies involving failed substations. In December 2008, as a result of a partnership with ABB, we developed the first mobile, green substation, in 138/13.8 kV and 15 MVA, which is completely insulated with vegetable oil. We are also a pioneer in the use of 138 kV power transformers that are completely insulated with vegetable oil.

Aiming to improve the quality of electricity supply to our customers, R\$67 million will be invested in 2010 to renew high-voltage assets and to replace equipment in substations and distribution lines that have suffered depreciation, which are at the end of their life-span and have a low performance rate in the electrical system.

Information Security Management

As part of our goal to improve information security at CEMIG and to address the requirements of the Sarbanes-Oxley Act, we developed the following in 2009:

- the awareness program (Information Security Update) involving almost 700 employees, which focuses on basic concepts of information security, phishing threats and recommendations about security behavior;
- publication of a periodic information security newsletter; and
- design of a new system and revision of the information classification process

Management Tools

Our current Enterprise Resource Planning software (SAP R/3), or ERP, covers accounting, costs and funds control, budget, project management and human resources management processes. The ERP also includes data warehouse functionality, balanced scorecard methodology and long-term cash flow monitoring. In quality management, we have received ISO 9001/2000 certification for, among other things, the following aspects of our business: consumer service offices, call centers, laboratories, maintenance of remote protection system equipment, data reception, and billing.

In 2009 , we started using Business Intelligence tools through the implementation of Business Object SAP platform. A total of 13 dashboards for financial and accounting analysis were developed. An IT department dedicated to manage SAP environment and solutions was created.

We also implemented applications for accounting consolidation of CEMIG companies in compliance with Brazilian corporate law.

In order to comply with federal decrees related to electronic signature bookkeeping, three systems were developed and implemented: electronic signature for invoicing, fiscal bookkeeping and accounting bookkeeping.

Risk Management

With the assistance of a leading consulting firm, we began establishment of a Corporate Risk Management System in 2003, which was consolidated during the period of 2004 through 2006, in connection with our unbundling process. As holder of a concession in the Brazilian electricity sector, we operate in environments where factors such as corporate restructurings, regulations issued by energy sector government agencies, technological development, globalization and changes in the consumer market generate uncertainties and risks.

The implementation of a coherent risk vision and strategy at the corporate level is a new management trend, encouraged not only by the requirements of the Sarbanes-Oxley Act and the methods recommended by the Committee of Sponsoring Organizations,

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or COSO II, but also by the perception that risk management is an essential part of a sustainable development philosophy that aims to create value for shareholders.

Our Corporate Risk Management System aims to achieve the following: compliance with the objectives set by the strategic plan; create awareness among shareholders of the possible events that could constitute a risk of loss of value; structure the company to be able to take proactive stances in relation to its risk environment; provide the company's executives with a methodology and tools for effective management of risk, including the ability to aggregate individual risks, the ability to compare risks in different business units and a tool to accurately evaluate the measures introduced to minimize risks; provide other areas of strategic management with input concepts and procedures, and factors that strengthen the company's organizational control infrastructure.

CEMIG is working to achieve the major risk management objective of an open environment conducive to effective communications about risks and risk management up, down and across the enterprise, so that a truly holistic, integrated, proactive, forward-looking and process-oriented approach is taken to assess all key business risks and opportunities, not only those of a financial nature. During 2009, the most important risk management actions were: (i) the third update of CEMIG's Corporate Risks Matrix was initiated, considering the review of its risks position, the risks control environment and its mitigation plans in order to adapt to the regulatory changes and economic and market context, and (ii) the improvement of the Corporate Risk Matrix from the shareholder's perspective, allowing management to understand what stakeholders see as strategic threats and to identify risks that do not exist in the Corporate Risks Matrix.

CEMIG's Electricity Risks Management Committee, or CGRE, created in 2003, continues to propose policies and procedures for approval by the executive officers, according to corporate risk policy, to minimize risks in the contracting (purchase and sale) of energy. The members of the committee come from numerous areas of the Company, including generation, distribution, sales, legal and financial. The CGRE gives support to the decisions of the executive officers in relation to the Company's energy commercialization to Free Consumers and participation in the CCEE auctions. Based on risk analyses, the CGRE proposes the maximum volumes that could be sold and the amounts purchased by distributors in the auctions.

CEMIG's risk management also has the benefit of a Financial Risk Management Committee, which was created (i) to monitor the financial risks related to volatility and trends of the inflation indices, exchange rates and interest rates that affect our financial transactions, and which could negatively affect the Company's liquidity and profitability, and (ii) to implement guidelines for proactive operation in relation to the environment of financial risks when implementing action plans.

The next step we intend to take is to improve the Corporate Risk Management System, with the assistance of a consulting firm, by developing new products and mathematical and statistical methods used to calculate and monitor the Corporate Risks Matrix's risk positions, thereby increasing transparency and safety in strategic decisions.

Properties, Plants and Equipments and Intangible Assets

Our principal properties consist of the power generation plants and transmission and distribution facilities described in this Item 4. Our net book value of total property, plant and equipment, including our investment in certain consortia that operate electricity generation projects, was R\$14,114 million at December 31, 2009 (including ongoing construction projects). Generation facilities represented 39.9% of this net book value, transmission and distribution facilities represented 55.7% and other miscellaneous property and equipment, including telecommunication

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facilities and intangible assets, represented 4.4%. The average annual depreciation rate applied to these facilities was 2.5% for hydroelectric generation facilities, 3.1% for transmission facilities, 4.7% for distribution facilities, 12.7% for administration facilities, and 6.7% for telecommunication facilities. Apart from our distribution network, no single one of our properties produced more than 10% of our total revenues in 2009. Our facilities are generally adequate for our present needs and suitable for their intended purposes. We have rights of way for our distribution lines, which are our assets and do not revert to the landowner upon expiration of our concessions.

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The Brazilian Power Industry

General

Traditionally, in the Brazilian electricity sector, generation, transmission and distribution activities were conducted by a small number of companies that had always been owned of either the Federal Government or the State Government. In the past, several companies controlled by the state were privatized, in an effort to increase efficiency and competition. The previous administration, ruled by Fernando Henrique Cardoso (1995-2002), stated its objective to privatize the state-controlled part of the electricity sector, but the present administration has stopped this process, and has implemented a New Industry Model for the Brazilian electricity sector as set forth in Law No. 10,848, of March 15, 2004, or The New Industry Model Law.

The New Industry Model

The main objectives of the New Industry Model are to guarantee security of supply and reasonableness of rates. To guarantee supply, The New Industry Model Law requires (a) that distributors contract their entire loads, and be responsible for making realistic projections of demand requirements and (b) that the construction of new hydroelectric and thermal plants be determined in ways that best balance security of supply and reasonableness of rates. To achieve reasonable rates, The New Industry Model Law requires (a) all purchases of electricity by distributors occur by auction, based on the lowest-rate criterion; (b) contracting be through the ACR, or the Pool system; and (c) contracting of load be separated into two types of transactions which will always be by auction: (i) contracting of the electricity of the new plants, which targets expansion; and (ii) contracting of the electricity of the existing plants, which targets the existing electricity demand.

The New Industry Model created two environments for the purchase and sale of electricity: (i) the ACR, or the Pool, which contemplates the purchase by distribution companies through public auctions of all energy necessary to supply their consumers; and (ii) the ACL, which encompasses purchase of electricity by non-regulated entities (such as Free Consumers and energy traders). Distributors will be allowed to operate only in the regulated environment, whereas generators may operate in both, maintaining their competitive characteristics.

Expansion requirements of the sector are evaluated by the Federal Government through the Ministry of Mines and Energy, or MME. In order to better organize the electric energy sector, two entities have been created: (i) the Energy Research Company, or EPE, a state-controlled company responsible for planning the expansion of generation and transmission; and (ii) the Electric Energy Trading Chamber (*Câmara de Comercialização de Energia Elétrica*), or CCEE, a private company, which is the successor of the Wholesale Energy Market (*Mercado Atacadista de Energia Elétrica*) (MAE), responsible for the accounting and settlement of short-term energy sales. The CCEE is also responsible, through delegation by ANEEL, for organizing and conducting the Pool public power auctions, in which all distributors purchase energy.

The New Industry Model eliminated self-dealing, forcing distributors to purchase electricity at the lowest available prices rather than buying electricity from related parties. The New Industry Model also exempted contracts executed prior to the enactment of the law, in order to provide regulatory stability to transactions carried out before it was enacted.

The electricity arising from (1) low capacity generation projects located near the consumption points (such as certain co-generation plants and the Small Hydroelectric Power Plants), (2) plants qualified under the Proinfa program, (3) Itaipu and (4) purchase and sale agreements entered into before the New Industry Model Law, are not subject to the public auctions for the supply of electricity at the Pool. The electricity generated by Itaipu, located on the border of Brazil and Paraguay, is traded by Eletrobras and the Federal Government, through ANEEL, and determines the volumes that shall be mandatorily purchased by each distribution concessionaire. The rates at which the Itaipu generated electricity is traded are denominated in U.S. dollars and established by ANEEL pursuant to a treaty between Brazil and Paraguay. As a consequence, Itaipu rates rise or fall in accordance with the variation of the U.S. Dollar/real exchange rate. Changes in the price of Itaipu generated electricity are, however, subject to a cost recovery mechanism.

Challenges to the Constitutionality of the New Industry Model Law

The New Industry Model Law is currently being challenged on constitutional grounds before the Brazilian Supreme Court. The Federal Government moved to dismiss the actions arguing that the constitutional challenges were moot because they related to a provisional measure that had already been converted into law. To date, the Brazilian Supreme Court has not reached a final decision upon the merits of such lawsuit and we do not know when such decision may be reached. Therefore, the New Industry Model Law is currently in force. Regardless of the Supreme Court's final decision, certain portions of the New Industry Model Law relating to restrictions on distributors performing activities unrelated to the distribution of electricity, including sales of energy by distributors to Free Consumers and the elimination of agreements between related parties are expected to remain in full force and effect.

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Coexistence of two Electricity Trading Environments

Under the New Industry Model Law, electricity purchase and sale transactions are carried out in two different market segments: (1) the regulated market, or the Pool, which contemplates the purchase by distribution companies through public bids of all electricity necessary to supply their consumers and (2) the free market, which encompasses purchase of electricity by non-regulated entities (such as the Free Consumers and energy traders).

The Regulated Market (the ACR or the Pool) In the regulated market, distribution companies purchase electricity for their captive consumers through public auction regulated by ANEEL and conducted by CCEE.

Energy purchases will take place through two types of bilateral contract: (i) Energy Agreements (*Contrato de Quantidade de Energia*) and (ii) Capacity Agreements (*Contratos de Disponibilidade de Energia*). Under an Energy Agreement, a generator commits to supply a certain amount of electricity and assumes the risk that electricity supply could be adversely affected by hydrological conditions and low reservoir levels, among other conditions, that could interrupt the supply of electricity, in which case the generator will be required to purchase the electricity elsewhere in order to comply with its supply commitments. Under a Capacity Agreement, a generator commits to make a certain amount of capacity available to the ACR. In this case, the revenue of the generator is guaranteed and the distributor must assume the hydrological risk. However potential additional costs of the distributors are passed on to consumers. Together, these agreements comprise the energy purchase agreements in the ACR (*Contratos de Comercialização de Energia no Ambiente Regulado*), or CCEAR.

Under the New Industry Model Law, the estimate of demand from distributors is the principal factor in determining how much electricity the system as a whole will contract. Under the new system, distributors are required to contract 100% of their projected electricity needs, unlike the 95% under the former regulatory framework.

The regulation under the New Industry Model Law stipulates that distribution companies that contract less than 100% of their total captive consumption may be subject to fines. There are mechanisms to reduce this possibility, such as the purchase of energy from other distribution companies whose energy purchases exceeded forecasted demand, or purchase energy in auctions during the year. Any remaining shortfall from 100% of total captive consumption can be bought at the spot market price and the concessionaire would be subject to a penalty payment equivalent to the shortfall multiplied by the reference value rate established by ANEEL. If a company contracts more than 103% of its captive consumption, it would be subject to price risk if it sells this energy in the spot market in the future. To reduce such price risk, a company may reduce the purchase contracts in the existing energy auction by up to 4% each year, and reduce those contracts due to loss of consumers that became free and are supplied by generators directly. Any surplus may be negotiated in the spot market.

According to the New Industry Model Law, electricity distribution concessionaires will be entitled to pass on to their respective consumers, in costs related to electricity purchased through public bids, limited to the equivalent of 103% of their verified annual load, as well as any taxes and industry charges related to the public bids.

The Free Market (the ACL) In the free market, electricity is traded between generation concessionaires, IPPs (Independent Power Producer), self-generators, energy traders, importers of energy and Free Consumers. The free market also includes existing bilateral contracts between generators and distributors until they expire. Upon expiration, such contracts must be executed under the New Industry Model Law.

A consumer that is eligible to choose its supplier, known as a potentially free consumer, and that has a contract with a distribution company for an undetermined duration, may only be able to purchase electricity from other suppliers in the year following the declaration of its intention to terminate such contract, which is required to be sent to the distributor at least 15 days before the day such distributor is required to state its electricity needs for the next auction, except as otherwise provided in the contract.

Potentially free consumers are those whose demand exceeds 3 MW at a voltage equal to or higher than 69kV or at any voltage level, so long as the supply began after July 1995. In addition, consumers with contracted demand equal to or greater than 500kW may be serviced by suppliers other than their local distribution company if they move to energy from alternative energy sources, such as wind, biomass or small hydroelectric plants.

Once a consumer has opted for the free market, it may only return to the regulated system once it has given the distributor of its region five years notice, provided that the distributor may reduce such term at its discretion, except for special consumers, which may provide 180 days notice. This extended notice period seeks to assure that, if necessary, the distributor can purchase additional energy to supply the re-entry of Free Consumers into the regulated market. In addition, distributors may also reduce the amount of energy purchased according to the volume of energy that they will no longer distribute to free consumers. State-owned generators may sell electricity to Free Consumers, but as opposed to private generators, they are obliged to do so through an auction process.

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In the past, high tension consumers who purchase their electricity from distributors in the regulated market did it at a subsidized price. This subsidy, known as the cross-subsidy, was gradually eliminated by ANEEL, and is now terminated. The potentially free consumers are required by law to enter into separate contracts for the connection and use of the transmission or distribution lines and for the purchase of power.

Restricted Activities of Distributors

Distributors in the National Interconnected Power System (*Sistema Interligado Nacional*), or SIN, or the Brazilian Grid, are not permitted to (1) develop activities related to the generation or transmission of electricity, (2) sell electricity to Free Consumers, except for those in their concession area and under the same conditions and rates maintained with respect to captive consumers in the ACR, (3) hold, directly or indirectly, any interest in any other company, except interest in entities incorporated for raising, investment and management of funds necessary for the distributor or its controlled, controlling or under common control companies, corporation or partnership or (4) develop activities that are unrelated to their respective concessions, except for those permitted by law or in the relevant concession agreement.

Elimination of Self-Dealing

Since the purchase of electricity for captive consumers will be performed through the ACR, the so-called self-dealing, when distributors were permitted to meet up to 30% of their electricity needs through electricity that was acquired from affiliated companies, is no longer permitted, except in the context of agreements that were duly approved by ANEEL before the enactment of the New Industry Model Law. Distributors may, however, make purchases from affiliated companies if the distributor participates in the public bidding process through the ACR, and the generator that bids the lowest price is an affiliated party.

Contracts Executed prior to the New Industry Model Law

The New Industry Model Law provides that the contracts executed by electricity distribution companies and approved by ANEEL before the enactment of the New Industry Model Law will not be amended to reflect any extension in their terms or modification in prices or volumes of electricity already contracted.

Reduction of the Level of Contracted Electricity

Decree No. 5,163/04, which regulates the trade of electricity under the New Industry Model Law, allows distribution companies to reduce their CCEARs: (1) to compensate for the exit of Potentially Free Consumers from the regulated market, pursuant to a specific declaration delivered to MME, (2) by up to 4.0% per year of the initial contracted amount due to market deviations from the estimated market projections, at the distribution companies' discretion, beginning two years after the initial electricity demand was declared and (3) in the event of increases in the amounts of electricity acquired pursuant to contracts entered into before March 17, 2004. This reduction can be made only with CCEARs of existing power plants.

The circumstances in which the reduction of the level of contracted electricity will occur will be duly set forth in the CCEARs, and may be exercised at the sole discretion of the distribution company and in compliance with the provisions described above and ANEEL regulations.

Pursuant to ANEEL's regulations, the reduction of the level of contracted energy under the CCEARs of existing energy shall be preceded by the so-called Mechanism of Compensation of Surplus and Deficits, or MCSD, by means of which distribution companies which have contracted energy in excess of their demand may assign a portion of their CCEARs to distribution companies which have contracted less energy than needed to meet their consumer's demand.

Limitation on Pass-Through

The New Industry Model now also limits the pass-through of costs of electricity to final consumers. The Annual Reference Value corresponds to the weighted average of the electricity prices in the A-5 and A-3 auctions, calculated for all distribution companies, and creates an incentive for distribution companies to contract for their expected electricity demands in the A-5 auctions, where the prices are expected to be lower than in A-3 auctions. The Annual Reference Value will be applied in the first three years of the power purchase agreements from new power generation projects. After the fourth year, the electricity acquisition costs from these projects will be allowed to be fully passed-through. The decree establishes the following limitations on the ability of distribution companies to pass through costs to consumers:

- no pass-through of costs for electricity purchases that exceed 103% of regulatory demand;

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- limited pass-through of costs for electricity purchases made in an A-3 auction, if the volume of the acquired electricity exceeds 2.0% of the demand verified in A-5 auctions;
- limited pass-through of electricity acquisition costs from new electricity generation projects if the volume re-contracted through CCEARs of existing generation facilities is below a Contracting Limit defined by Decree No. 5,163;
- from 2007 to 2009, electricity purchases from existing facilities in the A-1 auction is limited to 1.0% of distribution companies demand. If the acquired electricity in the A-1 auction exceeds 1.0%, pass-through of costs of the exceeding portion to final consumers is limited to 70.0% of the average value of such acquisition costs of electricity generated by existing generation facilities. The MME will establish the maximum acquisition price for electricity generated by existing projects;
- electricity purchases in market adjustment auctions are limited to 1% of a distribution concessionaire's total demand (except for the years 2008 and 2009, when it will be 5%) and pass-through of costs is limited to Annual Reference Value; and
- if distributors fail to comply with the obligation to fully contract their demand, the pass-through of the costs from energy acquired in the short-term market will be the equivalent to the lower of the PLD or the Annual Reference Value.

Rationing Under The New Industry Model Law

The New Industry Model Law establishes that, in a situation where the Federal Government decrees a compulsory reduction in the consumption of electricity in a certain region, all energy amount agreements in the regulated market, registered within the CCEE in which the buyer is located, shall have their volumes adjusted in the same proportion to the consumption reduction.

Rates

Electric energy rates in Brazil are set by ANEEL, which has the authority to readjust and review rates in accordance with the provisions under the relevant concession contracts. Each distribution company's concession contract provides for an annual rate adjustment (*reajuste anual*). In general, Parcel A costs are fully passed through to consumers. Parcel A costs are the portion of the regular rate calculation formula, which provides for the recovery of certain costs that are not within the control of the distribution company. Parcel B costs, which are costs that are under the control of the distributors, are restated for inflation in accordance with the General Market Price Index (*Indice Geral de Preços do Mercado*), or IGP-M index. The average annual rate adjustment includes components such as the inter-year variation of Parcel A costs (CVA) and other financial adjustments, which compensate for changes in the company's costs that were not previously taken into account in the rate we charged the year before. Since this inter-year variation is to reimburse changes in costs that took place in the previous year, it should not be part of next year's annual adjustment.

Concessionaires of electricity distribution are also entitled to periodic revisions (*revisão periódica*). Our concession agreements establish a five-year period between periodic revisions. These revisions are aimed at (i) assuring necessary revenues to cover efficient Parcel B operational costs and adequate compensation for investments deemed essential for the services within the scope of each company's concession and (ii) determining the X factor, which is calculated based on expected productivity gains from increases in scale, labor costs and the grid investment amount planned by the distribution company during the five-year period.

For more detailed information, see Item 5. Operating and Financial Review and Prospects Rates for the Use of the Distribution and Transmission Systems.

ANEEL has also issued regulations that govern the access to the distribution and transmission facilities and establish the rate for use of the local distribution grid, or Distribution Usage Rates, or TUSD, and the rate for the use of the transmission grid, or Transmission Usage Rates, or TUST. The rates to be paid by distribution companies, generators and Free Consumers for use of the interconnected power system are reviewed annually. The review of the TUST takes into account the revenues that are permitted of transmission concessionaires pursuant to their concession contracts. For more detailed information regarding the rate-setting structure in Brazil, see The Brazilian Power Industry Rates for the Use of the Distribution and Transmission Systems.

Land Acquisition

The concessions granted to us by the Federal Government do not include a grant of the land upon which the plants are located. Electricity concessionaires in Brazil typically have to negotiate with the individual landowners to obtain needed land. However, in the event that a concessionaire is unable to obtain needed land in this way, such land may be condemned for the concessionaire's use through specific legislation. In cases of governmental condemnation, the concessionaires may have to participate

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in negotiations relating to the amount of compensation with landowners and the resettlement of communities to other locations. We make all efforts to negotiate with the communities before applying to the judiciary.

The Brazilian Electricity System Overview

Brazil's power production and transmission is a large-scale hydroelectric and thermal system made up predominantly of hydroelectric power stations, with multiple owners. The Brazilian Grid is comprised of companies in the southern, southeastern, west-central, and northeastern regions and part of the northern region of Brazil. Only 3.4% of the country's electricity production capacity is not connected to the Brazilian Grid, in small isolated systems located mainly in the Amazon region. Brazil's abundant hydrological resources are managed through storage reservoirs. It is estimated that Brazil has a hydroelectric power generation potential close to 243,352 MW, of which only 35% has been developed or is under construction, according to Eletrobras.

Brazil has an installed capacity in the interconnected power system of 97.74 GW, approximately 80% of which is hydroelectric. This installed capacity includes half of the installed capacity of Itaipu—a total of 14,000 MW owned equally by Brazil and Paraguay. There are approximately 55,000 miles of transmission lines with voltages equal to or higher than 230 kV in Brazil.

Approximately 38% of Brazil's installed generating capacity and 56% of Brazil's high voltage transmission lines are operated by Eletrobras, a company owned by the Federal Government. Eletrobras has historically been responsible for implementing electric policy, conservation and environmental management programs. The remaining high voltage transmission lines are owned by state-controlled or local electric power companies. Distribution is conducted by approximately 60 state or local utilities, a majority of which have been privatized by the Federal Government or state governments.

Historical Background

The Brazilian Constitution provides that the development, use and sale of energy may be undertaken directly by the Federal Government or indirectly through the granting of concessions, permissions or authorizations. Historically, the Brazilian power industry has been dominated by generation, transmission and distribution concessionaires controlled by the Federal and state governments. Since 1995, the Federal Government has taken a number of measures to restructure the power industry. In general, these measures were aimed at increasing the role of private investment and eliminating foreign investment restrictions, thus increasing overall competition in the power industry.

In particular, the Federal Government has taken the following measures:

- The Brazilian Constitution was amended in 1995 to authorize foreign investment in power generation. Prior to this amendment, all generation concessions were held either by a Brazilian individual or an entity controlled by Brazilian individuals or by the Federal or state governments.

- The Federal Government enacted Law in 1995 that:
- required that all concessions for the provision of energy-related services be granted through public bidding processes;
- gradually allowed certain electricity consumers with significant demand (generally greater than 3 MW), referred to as Free Consumers, to purchase electricity directly from suppliers holding a concession, permission or authorization;
- provided for the creation of generation entities, or Independent Power Producers, which, by means of a concession, permission or authorization, may generate and sell all or part of their electricity to Free Consumers, distribution concessionaires and trading agents, among others;
- granted Free Consumers and electricity suppliers open access to all distribution and transmission systems; and
- eliminated the need for a concession to construct and operate power projects with capacity from 1 MW to 30 MW, or Small Hydroelectric Power Plants.
- Beginning in 1995, a portion of the controlling interests held by Eletrobras and various states in generation and distribution companies were sold to private investors. At the same time, certain state governments also sold their

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stakes in major distribution companies. While the majority of the distribution companies have been privatized, most generation capacity is still controlled by Eletrobras, by means of its subsidiaries Chesf, Eletronorte and Furnas.

- In 1998, the Federal Government enacted Law No. 9,648, or the Power Industry Law, to overhaul the basic structure of the electricity industry. The Power Industry Law provided for the following:
 - the establishment of a self-regulated body responsible for the operation of the short-term electricity market, or the Wholesale Energy Market, which replaced the prior system of regulated generation prices and supply contracts;
 - a requirement that distribution and generation companies enter into initial energy supply agreements, or the Initial Contracts, generally take or pay commitments, at prices and volumes approved by the Brazilian National Electric Energy Agency ANEEL. The main purpose of the Initial Contracts was to ensure distribution companies have access to a stable electricity supply at prices that guarantee a fixed rate of return for the electricity generation companies during the transition period leading to the establishment of a free and competitive electricity market;
 - the creation of the National Integrated System Operator (*Operador Nacional do Sistema*, or ONS), a non-profit, private entity responsible for the operational management of the generation and transmission activities of the interconnected power system; and
 - the establishment of public bidding processes for concessions for the construction and operation of power plants and transmission facilities, in addition to the bidding process requirements under the Concessions Law and the Law No 9.074 enacted on July 7, 1995.
- On March 15, 2004, the Federal Government enacted Law No. 10,848, or the New Industry Model Law, in an effort to further restructure the power industry with the ultimate goal of providing consumers with secure electricity supplies combined with low rates. On July 30, 2004 the Federal Government published Decree 5,163, governing the purchase and sale of electricity under the New Industry Model Law, as well as the granting of authorizations and concessions for electricity generation projects. These include rules relating to auction procedures, the form of power purchase agreements and the method of passing costs through to final consumers.

Rationing and Extraordinary Rate Increases

Below average rainfall in the years preceding 2001 resulted in low reservoir levels and low hydroelectric capacity in the Southeast, Central West and Northeast regions. A program, known as the Electricity Rationing Program, that lasted from June 2001 until February 2002, was designed by Electricity Crisis Management Chamber (*Câmara de Gestão da Crise de Energia Elétrica*), or GCE, to solve this problem and establish normal levels for reservoirs. As a result of the end of the rationing measures, the Federal Government terminated the GCE and created the Electricity Sector Management Committee (*Câmara de Gestão do Setor Elétrico*), or CGSE, as coordinator of the electricity sector revitalization measures. The General Agreement of the Electricity Sector was created to provide for compensation for rationing-related losses to generation and

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distribution companies in Brazil and restore the economic equilibrium of the concession agreements. An extraordinary rate increase, or RTE, applicable to final consumers would compensate both generators and distributors for such rationing-related losses. The RTE also covers financial losses from January 2001 to October 2001, resulting from those costs that are beyond the control of the distributor, referred to as Parcel A costs, as well as losses of generators incurred as a result of payment of free energy costs above the Initial Contract average price.

The National Bank of Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*, or BNDES), created a special program to finance 90% of the amounts recoverable by means of the RTE. The loans are repayable over the rate increase collection period.

In April 2003, the Federal Government, fearing that rate increases may contribute to overall inflation in Brazil, decided to delay a rate increase to which distribution companies were entitled under ANEEL resolutions to recover intra-annual variation of Parcel A costs. On November 11, 2003, the Federal Government implemented an emergency program designed to compensate distribution companies for the losses incurred due to the non-consideration of the intra-annual variation of Parcel A costs on occasion of the annual rate readjustments that took place from April 2003 to April 2004. Such program guaranteed to the applicable companies a loan from BNDES under special conditions.

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Concessions

The companies or consortia that wish to build or operate facilities for generation, transmission or distribution of electricity in Brazil must apply to the MME or to ANEEL, by delegation of MME, as granting authority, for a concession, permission or authorization, as the case may be. Concessions grant rights to generate, transmit or distribute electricity in the relevant concession area for a specified period. This period is usually 35 years for new generation concessions, and 30 years for new transmission or distribution concessions. For the renewal of existing concessions, the period is usually 20 years for distribution, 20-30 years for transmission, depending on the contract, and the period for generation depends on the contracts. An existing concession may be renewed at the granting authority's discretion.

The Concession Law establishes, among other things, the conditions that the concessionaire must comply with in rendering electricity services, the consumer's rights and the obligations of the concessionaire and the granting authority. Furthermore, the concessionaire must comply with regulations in force governing the electricity sector. The main provisions of the Concession Law are summarized as follows:

Adequate Service The concessionaire must render an adequate service to satisfy, among other things, regularity, continuity, efficiency, safety and accessibility of the service.

Use of Land The concessionaire may use public land or request the granting authority to declare the public interest of private real estate, so as to benefit the concessionaire. In such case the concessionaire shall compensate the affected owners.

Strict Liability The concessionaire is strictly liable for all damages arising from the performance of its services and caused to consumers, to third parties or to the granting authority.

Changes in Controlling Interest The granting authority must previously approve any direct or indirect change in the concessionaire's controlling interest.

Intervention by the Granting Authority The granting authority may intervene in the concession, by means of a presidential decree, to ensure the concessionaire's adequate performance of services, as well as the full compliance with applicable contractual, regulatory and legal provisions in case the concessionaire fails to do so. Within 30 days after the decree date, the granting authority's representative is required to commence an administrative proceeding in which the concessionaire is entitled to due process of law. During the term of the administrative proceeding, a person appointed by the granting authority's decree becomes responsible for carrying on the concession. If the administrative proceeding is not completed within 180 days after the decree date, the intervention ceases and the concession is returned to the concessionaire. The concession is also returned to the concessionaire if the granting authority's representative decides not to terminate the concession and the concession term has not yet expired.

Termination of the Concession The concession termination agreement may be terminated through expropriation and/or forfeiture.

Expropriation is the early termination of a concession for reasons related to the public interest that must be expressly declared by law and based on public interest grounds. Following the expropriation, the concessionaire is entitled to receive an indemnification, which may or may not adequately compensate investments made by the concessionaire in expropriated assets that have not been fully amortized or depreciated by the time of the expropriation. Forfeiture must be declared by the granting authority after ANEEL, or MME, has made a final administrative ruling that the concessionaire has failed to adequately perform its obligations under the concession agreement. The concessionaire is entitled to due process of law in the administrative proceeding declaring the forfeiture of the concession and can resort to the courts. The concessionaire is entitled to receive an indemnification for the investments made by the concessionaire in expropriated assets that have not been fully amortized or depreciated, after deduction of any amounts corresponding to outstanding fines and damages due by the concessionaire.

Expiration When the concession expires, all assets, rights and privileges that are materially related to the rendering of the electricity services revert to the Brazilian government. Following the expiration, the concessionaire is entitled to receive an indemnification for the investments made by the concessionaire in expropriated assets that have not been fully amortized or depreciated by the time of the expiration, net of special obligation.

Penalties ANEEL's Resolution 63, enacted on May 12, 2004, as amended governs the imposition of sanctions against the operators in the electricity sector, defines conduct constituting violations of the law and classifies the appropriate penalties based on the nature and gravity of the violation (including warnings, fines, temporary suspension from the right to participate in bidding procedures for new concessions, licenses or authorizations and forfeiture). Depending on the violation, the fines can be up to two per cent of the amount invoiced by the concessionaires in the 12-month period preceding any assessment notice. Some infractions that may result in fines relate to the failure of the operator to request ANEEL's approval in case of:

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- Execution of contracts with related parties in the cases provided by regulation;
- Sale or assignment of the assets or revenues related to the services rendered as well as the imposition of any encumbrances (including any security, bond, guarantee, pledge and mortgage) on them or any other assets related to the concession or the revenues of the electricity services; and
- Changes in controlling interest of the holder of the authorization or concession.

Principal Regulatory Authorities

National Energy Policy Council CNPE

In August 1997, the National Energy Policy Council (*Conselho Nacional de Política Energética*), or CNPE, was created to advise the Brazilian president regarding the development and creation of the national energy policy. The CNPE is presided over by the MME, and the majority of its members are officials of the Federal Government. The CNPE was created to optimize the use of Brazil's energy resources and to assure the supply of electricity to the country.

Ministry of Mines and Energy MME

The MME is the Federal Government's primary regulator of the power industry. Following the adoption of the New Industry Model Law, the Federal Government, acting primarily through the MME, undertook certain duties that were previously under the responsibility of ANEEL, including the drafting of guidelines governing the granting of concessions and the issuance of directives governing the bidding process for concessions relating to public services and public assets.

National Electric Energy Agency ANEEL

The Brazilian power industry is regulated by ANEEL, an independent federal regulatory agency. After enactment of the New Industry Model Law, ANEEL's primary responsibility is to regulate and supervise the power industry in line with the policy to be dictated by MME and to respond to matters which are delegated to it by the Federal Government and or MME. ANEEL's current responsibilities include, among others:

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- administering concessions for electricity generation, transmission and distribution activities, including the approval of electricity rates;
- enacting regulations for the electricity industry;
- implementing and regulating the exploitation of energy sources, including the use of hydroelectric energy;
- promoting the public bidding process for new concessions;
- settling administrative disputes among electricity generation entities and electricity purchasers; and
- defining the criteria and methodology for the determination of transmission rates.

National System Operator ONS

The ONS was created in 1998 as a non-profit private entity comprised of Free Consumers and energy utilities engaged in the generation, transmission and distribution of electricity, in addition to other private participants such as importers and exporters. The New Industry Model Law, granted the Federal Government the power to appoint three directors of the ONS, including the Director-general. The primary role of the ONS is to coordinate and control the generation and transmission operations in the interconnected power system, subject to ANEEL's regulation and supervision. The objectives and principal responsibilities of the ONS include, among others:

- planning and scheduling of the operation and the centralized dispatching of the generation in order to optimize the interconnected power system;
- supervision and coordination of the electric system operation centers;

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- supervision and control of the national interconnected power system and the international interconnections;
- retaining and managing of the electric energy transmission services and respective access conditions, as well as the ancillary services;
- proposing to ANEEL the expansion and reinforcement of the basic transmission grid; and
- submitting rules for the operation of the transmission system for ANEEL's approval.

Electric Energy Trading Chamber CCEE

The CCEE replaced the Wholesale Energy Market pursuant to the new rules set forth under the New Industry Model Law. One of the main roles of the CCEE is to conduct public auctions in the regulated market, including the auction of existing electricity and new electricity. Additionally, the CCEE is responsible, among other things, for (1) registering the volume of all the energy purchase agreements within the regulated market (*Contratos de Comercialização de Energia no Ambiente Regulado*), or CCEAR, and the agreements resulting from the free market, and (2) the accounting for and clearing of short-term transactions.

Under the New Industry Model Law, the price of electricity bought or sold in the spot market, known as the Price of Liquidation of Differences (*Preço de Liquidação de Diferenças*), or PLD, takes into account factors similar to the ones used to determine the Wholesale Energy Market spot prices prior to the New Industry Model Law. Among these factors, the variation of the PLD will be mainly linked to the equilibrium between the market supply and demand for electricity as well as the impact that any variation on this equilibrium may have on the optimal use of the electricity generation resources by the ONS.

The CCEE is comprised of power generation, distribution, trading agents and free consumers, and its board of directors is comprised of four members appointed by these agents and one by the MME, who is the chairman of the board of directors.

Energy Research Company EPE

On August 16, 2004, the Federal Government enacted the decree that created the Electricity Research Company, or EPE, a state-owned company, which is responsible for conducting strategic research on the energy industry, including, among others, electric energy, oil, gas, coal and renewable energy sources. EPE is responsible for (i) studying projections of the Brazilian energy matrix, (ii) preparing and publishing the national energy balance, (iii) identifying and quantifying energy resources and (iv) obtaining the required environmental licenses for new generation concessionaires. The research carried out by EPE will be used to subsidize MME in its policymaking role in the domestic energy industry. EPE is also responsible for approving the technical qualification of new electric energy projects to be included in the related auctions.

The Electricity Sector Monitoring Committee CMSE

Decree 5,175, of August 9, 2004, established the Electricity Sector Monitoring Committee, or CMSE, which acts under the direction of the MME. The CMSE is responsible for monitoring and permanently evaluating the continuity and security of the electricity supply conditions and for indicating necessary steps to correct identified problems.

Ownership Limitations

In 2000, through Resolution No. 278, ANEEL established limits, no longer in force, on the concentration of certain services and activities within the power industry. Under these limits, with the exception of companies participating in the National Privatization Program (which need only comply with such limits once their final corporate restructuring is accomplished) no power company (including both its controlling and controlled companies) may (1) own more than 20% of Brazil's installed capacity, 25% of the installed capacity of the South/Southeast/Central-West region or 35% of the installed capacity of the North/Northeast region, except if such percentage corresponds to the installed capacity of a single generation plant, (2) own more than 20% of Brazil's distribution market, 25% of the South/Southeast/Central-West distribution market or 35% of the North/Northeast distribution market, except in the event of an increase in the distribution of electricity exceeding the national or regional growth rates or (3) own more than 20% of Brazil's trading market with final consumers, 20% of Brazil's trading market with non-final consumers or 25% of the sum of the above percentages.

On November 10, 2009, ANEEL issued Resolution No. 378, which established that ANEEL, upon identifying an act that may cause unfair competition or may result in relevant market control, must notify the Secretariat of Economic Law (Secretaria de

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Direito Econômico) (SDE) of the Ministry of Justice, pursuant to art. 54 of Law No. 8,884 of June 11, 1994. After the notification, the SDE must inform the antitrust authority Conselho Administrativo de Defesa Econômica (CADE). If necessary, the SDE will require ANEEL to analyze the aforementioned acts. CADE will decide if there should be any punishment regarding those acts, which may vary from pecuniary penalties to the split of the company, pursuant to articles 23 and 24 of the abovementioned law.

Incentives for Alternatives Sources of Power

In 2000, a Federal decree created the Thermolectric Priority Program (*Programa Prioritário de Termoelectricidade*), or PPT, for purposes of diversifying the Brazilian energy matrix and decreasing its strong dependency on hydroelectric plants. The benefits granted to thermolectric plants under the PPT include (1) guaranteed gas supply for 20 years, (2) assurance of the application of the normative value by distribution companies who purchase their electricity for 20 years, according to regulation from ANEEL, thereby assuring that costs related to the acquisition of the electricity produced by thermolectric plants will be transferred to rates and (3) guaranteed access to a BNDES special financing program for the power industry.

In 2002, the Proinfa Program was established by the Federal Government to create certain incentives for the development of alternative sources of energy, such as wind energy projects, Small Hydroelectric Power Plants and biomass projects. Under the Proinfa Program, Eletrobras will purchase the electricity generated by these alternative sources for a period of 20 years and will pass it on to distributors. In its initial phase, the Proinfa Program is limited to a total contracted capacity of 3,300 MW.

Law 9,427/96, as amended by Law 10,762/03, further established that hydroelectric plants with an installed capacity of 1MW or less, generation plants classified as small hydroelectric plants, and those with qualifying solar, wind, biomass or cogeneration sources, with an injected capacity of 30MW or less, used for independent production or self-production, will have the right to a discount of at least 50% on the rates for use of the transmission and distribution systems, charged on production and consumption of the energy sold. This legal provision was regulated by ANEEL through its Resolutions 077/2004, 247/2006 and 271/2007.

Regulatory Charges

Global Reversion Fund and Public Use Fund RGR and UBP

In certain circumstances, power companies are compensated for assets used in connection with a concession if this concession is eventually revoked or is not renewed. In 1971, the Brazilian Congress created a Global Reversion Fund (*Reserva Global de Reversão*), or RGR, designed to provide funds for such compensation. In February 1999, ANEEL revised the assessment of a fee requiring all distributors and certain generators operating under public service regimes to make monthly contributions to the RGR at an annual rate equal to 2.5% of the company's fixed assets in service, but not to exceed 3.0% of total operating revenues in any year. In recent years, the RGR has been used principally to finance generation and distribution projects. The RGR is scheduled to be phased out by 2010, and ANEEL is required to revise the rate so that the consumer will receive some benefit from the termination of the RGR.

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The Federal Government has imposed a fee on IPPs reliant on hydrological resources, except for Small Hydroelectric Power Plants and generators under the public services regime, similar to the fee levied on public-industry companies in connection with the RGR. IPPs are required to make contributions to the Public Use Fund (*Fundo de Uso de Bem Público*), or UBP, according to the rules of the corresponding public bidding process for the granting of concessions. Eletrobras received the UBP payments until December 31, 2002. All payments to the UBP since December 31, 2002 are paid directly to the Federal Government.

Fuel Consumption Account CCC

Distribution companies must contribute to the Fuel Consumption Account (*Conta de Consumo de Combustível*), or CCC. The CCC was created in 1973 to generate financial reserves to cover elevated costs associated to the increased use of thermoelectric energy plants, in the event of a rainfall shortage, given the higher marginal operating costs of thermoelectric energy plants compared to hydroelectric energy plants. Each energy company is required to contribute annually to the CCC. The annual contributions are calculated on the basis of estimates of the cost of fuel needed by the thermoelectric energy plants in the following year. The CCC, in turn, reimburses energy companies for a substantial portion of the fuel costs of their thermoelectric energy plants. The CCC is administered by Eletrobras.

In February 1998, the Federal Government provided for the phasing out of the CCC. Subsidies from the CCC were phased out over a three-year period beginning in 2003 for thermoelectric energy plants constructed prior to February 1998 and currently belonging to the Brazilian Grid. Thermoelectric energy plants constructed after that date will not be entitled to subsidies from the CCC. In April 2002, the Federal Government established that subsidies from the CCC would continue to be paid to those thermoelectric plants located in isolated systems for a period of 20 years in order to promote generation of electricity in these regions.

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Charge for the Use of Water Resources

With the exception of Small Hydroelectric Power Plants, all hydroelectric utilities in Brazil must pay fees to Brazilian states and municipalities for the use of hydrological resources. Such amounts are based on the amount of electricity generated by each utility and are paid to the states and municipalities where the plant or the plant's reservoir is located.

Energy Development Account - CDE

In 2002, the Federal Government instituted the Energy Development Account (*Conta de Desenvolvimento Energético*), or CDE, which is funded through annual payments made by concessionaires for the use of public assets, penalties and fines imposed by ANEEL and, since 2003, the annual fees to be paid by agents offering electricity to final consumers, by means of a charge to be added to the rates for the use of the transmission and distribution systems. These fees are adjusted annually. The CDE was created to support the (1) development of electricity production throughout the country, (2) production of electricity by alternative energy sources and (3) universalization of energy services throughout Brazil. The CDE shall be in effect for 25 years and shall be managed by Eletrobras.

The New Industry Model Law establishes that the failure to pay the contribution to RGR, Proinfra Program, the CDE, the CCC, or payments due by virtue of purchase of electricity in the regulated market will prevent the non-paying party from receiving a rate readjustment (except for an extraordinary revision) or receiving resources arising from the RGR, CDE or CCC.

ANEEL Inspection Charge

Energy Services Inspection Charge, or TFSEE, is an annual tax charged by ANEEL for its administrative and operational costs. The tax is calculated based on the type of service provided (including independent production), and is proportional to the size of the concession, permission or authorization. The TFSEE is limited to 0.5% of the annual economic benefit, considering the installed capacity, earned by the concessionaire, permit holder or authorized party and must be paid directly to ANEEL in 12 monthly installments.

Energy Reallocation Mechanism

The Energy Reallocation Mechanism (*Mecanismo de Realocação de Energia*), or MRE, attempts to mitigate the risks involved in the generation of hydrological electricity by mandating that all hydrogenerators share the hydrological risks within the Brazilian Grid. According to Brazilian law, the revenue arising from the sale of energy by generators does not depend on the energy effectively generated by them, but rather on the Assured Energy (the Effective Power, a reference amount of electricity established by the MME in accordance with studies conducted by EPE, that considers the probability of long term average hydrology) of each plant, which is determined by the government in each concession agreement.

Any imbalances between the power energy actually generated and the Assured Energy is covered by the MRE. In other words, the MRE reallocated the energy, transferring surplus from those who generated in excess of their Assured Energy to those who generated less than their Assured Energy. The volume of electricity actually generated by the plant, either more or less than the Assured Energy, is priced pursuant to a Energy Optimization Tariff which covers the operation and maintenance costs of the plant. This revenue or additional expense will be accounted for on a monthly basis by each generator.

Although the MRE is efficient to mitigate the risks of individual plants that have adverse hydrological conditions in a river basin, it does not succeed in mitigating this risk when low hydro levels affect the Sistema Interligado Nacional (SIN) or National Interconnected System (System) as a whole or large regions of it. In extreme situations, even with the MRE, generation of the entire System won't attain the level of the Assured Energy and hydro generators may be exposed to the spot market. In these situations, the shortage in hydro resources is going to be compensated by greater use of thermal generation and spot prices will be higher

Rates for the Use of the Distribution and Transmission Systems

ANEEL oversees rate regulations that govern access to the distribution and transmission systems and establish rates (i) for the use of the local distribution grid, or Distribution Usage Rates, or TUSD, and (ii) for the use of the interconnected transmission grid, or Transmission Usage Rates, or TUST. Additionally, distribution companies of the South/South-East interconnected system pay specific charges for the transmission of electricity generated at Itaipu. In recent years, the Federal Government has had a goal of improving the national transmission system, and as a result, certain transmission companies have engaged in significant expansion programs, which have been paid for by increases in transmission rates and charges. The increase in transmission rates and charges paid by distribution concessionaires are passed on to their respective consumers through Annual Rate Adjustments. The following is a summary of each rate or charge:

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TUSD

The TUSD is paid by generation companies and customers for the use of the distribution system of the distribution concessionaire to which they are connected. It is readjusted annually according to an inflation index and the variation of costs for the transmission of energy and regulatory charges. The amount to be paid by the user connected to the distribution system is calculated by multiplying the amount of electricity contracted with the distribution concessionaire for each connection point, in kW, by the rate in R\$/kW which is set by ANEEL.

TUST

The TUST is paid by generation companies and Free Consumers for the use of the basic transmission grid to which they are connected. Its is readjusted annually according to an inflation index and the annual revenue of the transmission companies adjustment. According to criteria established by ANEEL, owners of the different parts of the transmission grid were required to transfer the coordination of their facilities to the ONS in return for receiving regulated payments from the transmission system users. Network users, including generation companies, distribution companies and Free Consumers, have signed contracts with the ONS entitling them to use the transmission grid in return for the payment of TUST. Other parts of the grid that are owned by transmission companies but which are not considered part of the transmission grid are made available directly to the interested users who pay a specified fee.

Distribution

Distribution rates are subject to review by ANEEL, which has the authority to adjust and review rates in response to changes in electricity purchase costs and market conditions. When adjusting distribution rates, ANEEL divides the costs of distribution companies between (1) costs that are beyond the control of the distributor, or Parcel A costs, and (2) costs that are under the control of the distributor, or Parcel B costs. The rate adjustment is based on a formula that takes into account the division of costs between the two categories.

Parcel A costs include, among others, the following:

- Regulatory Charges (RGR, CCC, CDE, TFSEE and Proinfa);
- Costs of electricity purchased for resale (CCEAR, Itaipu's Energy, PROINFA and bilateral agreements); and
- Transmission's charge (TUST, TUSD, Transport of Electricity from Itaipu, Use of Sites for Connection and ONS).

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The pass-through of electricity purchase costs under supply agreements negotiated before the enactment of the New Industry Model Law is subject to a ceiling based on a normative value established by ANEEL for each different source of energy (such as hydroelectric, thermoelectric and alternative sources of energy). The normative value applied to the supply contracts is adjusted annually in order to reflect increases in costs incurred by generators. Such adjustment takes into account (1) inflation, (2) costs incurred in hard currency and (3) fuel related costs (such as supply of natural gas). Costs incurred in IGP-M shall correspond to at least 25% of all costs incurred by generators.

Parcel B costs are those that are within our control and include, among others:

- return on investment related to the concession area and its expansion;

- taxes on revenue;

- depreciation costs; and

- operation and maintenance costs of the distribution system.

On March 29, 2010, CEMIG announced, through the release of a Relevant Fact Notice, the execution, jointly with its subsidiary Cemig Distribution, of the third amendment to concession agreements No. 002/1997, 003/1997, 004/1997 and 005/1997 which changed how the annual rate adjustment is calculated in order to promote the neutralization of Parcel A.

Each distribution company's concession agreement provides for an annual rate adjustment (*reajuste*). In general, Parcel A costs are fully passed through to consumers. Parcel B costs, however, are restated for inflation in accordance with General Market

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Price Index (Índice Geral de Preços do Mercado), or IGP-M index, adjusted by an X Factor. Electricity distribution companies, according to their concession contracts, are also entitled to periodic revisions (*revisão periódica*). These revisions are aimed at (1) assuring necessary revenues to cover efficient Parcel B operational costs and adequate compensation for investments deemed essential for the services within the scope of each company's concession and (2) determining the X factor, which is based on two components (i) Xa, which is a factor based on the difference between the IPCA and IGP-M inflation indexes multiplied by our total personnel costs (since our labor increases are based on the IPCA and our tariff increases are based on the IGP-M) and is set each year; and (ii) Xe, which is a factor based on our productivity gains over a five-year period and is set every five years.

The X factor is used to adjust the proportion of the change in the IGP-M index that is used in the annual adjustments. Accordingly, upon the completion of each periodic revision, application of the X factor requires distribution companies to share their productivity gains with final consumers.

In addition, concessionaires of electricity distribution are entitled to extraordinary review of rates (*revisão extraordinária*), on a case by case basis, to ensure their financial equilibrium and compensate them for unpredictable costs, including taxes, that significantly change their cost structure.

Item 4A. Unresolved Staff Comments

Not Applicable.

Item 5. Operating and Financial Review and Prospects

You should read the information contained in this section together with our financial statements contained elsewhere in this annual report. The following discussion is based on our financial statements, which have been prepared in accordance with U.S. GAAP and presented in reais.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. We evaluate our estimates on an ongoing basis and base them on a combination of historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates. Our critical accounting policies that affect our more significant judgments used in the preparation of our consolidated financial statements are set forth below.

Regulatory Assets and Liabilities

As a result of various actions taken by the Federal Government and ANEEL in 2001, the Company's distribution business is subject to the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980 Regulated Operations (FASB Statement No. 71 - Accounting for the Effects of Certain Types of Regulation). The rate-setting structure in Brazil is designed to provide for recovery of the Company's allowable costs, including those incurred as a result of Federal Government-mandated power rationing measures imposed in 2001, as described further below. Accordingly, the Company capitalizes incurred allowable costs as deferred regulatory assets when instructed by ANEEL and there is a probable expectation that future revenue equal to the costs incurred will be billed and collected as a direct result of the inclusion of the costs in an increased rate set by the regulator. The deferred regulatory asset is eliminated when the Company collects the related costs through billings to customers at the increased rate. ANEEL performs a rate review on an annual basis. If ANEEL excludes all or part of a cost from recovery, that portion of the deferred regulatory asset is impaired and is accordingly reduced to the extent of the excluded cost. The Company has recorded net deferred regulatory assets that it expects to pass through to its customers in accordance with and subject to regulatory provisions.

During 2001, the Federal Government instituted an electricity rationing plan in response to an energy shortage caused by low rainfall, reduced reservoir levels and Brazil's significant dependence on electricity generated from hydrological resources. The rationing resulted in losses for the Company and other electricity distribution companies in Brazil. In December 2001, electricity concessionaires including the Company reached an industry-wide agreement (the General Agreement of the Electricity Sector or the General Agreement) with the Federal Government that provided resolution to rationing-related issues as well as to certain other electricity rate-related issues. The General Agreement provided for a rate increase intended to reimburse revenues lost as a result of the rationing program in 2001 and 2002. The increased rates were in force in the Company for a period of 74 months from February 2002. The amount was recovered in accordance with Emerging Issues Task Force (EITF) N^o. 92-7 Accounting by Rate Regulated

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Utilities for the Effects of Certain Alternative Revenue Programs (included in FASB ASC Subtopic 980-605 Regulated Operations Revenue Recognition).

Valuation of Long-Lived Assets

We have long-lived assets, including power generation plants. Many of these assets are the result of recent capital investments and have not yet reached a mature life cycle in construction. We assess the carrying amount and potential impairment of these long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider in determining whether an impairment review is necessary include a significant underperformance of the assets relative to projected future operating results and significant negative industry or economic trends. We determine when an impairment review is necessary through a comparison between the expected undiscounted future cash flows and the carrying amount of the asset. If the carrying amount of the asset is the larger of the two amounts, an impairment loss is recognized by the amount that the carrying amount of the asset exceeds the fair value of the asset. The fair value is determined by quoted market prices, appraisals or the use of valuation techniques such as expected discounted future cash flows. We must make assumptions regarding these estimated future cash flows and other factors to determine the fair value of the respective assets. In determining estimated future cash flows, we consider historical experience as well as future expectations and estimated future cash flows are based on expected future rates and expected future consumer demand. A significant reduction in actual cash flows and estimated cash flows may have a material adverse impact on our operating results and financial condition.

Accrual for Contingencies

We are party to certain legal proceedings in Brazil arising in the normal course of business regarding tax, labor, civil and other issues.

We account for contingencies in accordance with SFAS No. 5 Accounting for Contingencies. This Statement was codified into Topic ASC 450 Contingencies. Such accruals are estimated based on historical experience, the nature of the claims, as well as the current status of the claims. Accounting for contingencies requires significant judgment by management concerning the estimated probabilities and ranges of exposure to potential liability. Management's assessment of our exposure to contingencies could change as new developments occur or more information becomes available. The outcome of the contingencies could vary significantly and could materially impact our consolidated results of operations, cash flows and financial position. Management has applied its best judgment in applying ASC Topic 450 to these matters.

Employee Post-Retirement Benefits

We sponsor a defined-benefit pension plan and defined-contribution pension plan covering substantially all of our employees. We have also established post-retirement health and dental care plans and pay life insurance premiums. We account for these benefits in accordance with SFAS No. 87 Employers Accounting for Pensions (included in ASC Topic 715 and SFAS No. 106) Employers Accounting for Post-retirement Benefits other than Pensions (included in ASC Topic 715). We have applied SFAS 132R Employers Disclosures about Pensions and Other Post-retirement Benefits to disclose information about pension plans and other post-retirement benefit plans and have also applied SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (included in ASC Topic 715).

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The determination of the amount of our obligations for pension and other post-retirement benefits depends on certain actuarial assumptions. These assumptions are described in Note 16 to our consolidated financial statements and include, among others, the expected long-term rate of return on plan assets and increases in salaries and healthcare costs. In accordance with U.S. GAAP, actual results that differ from our assumptions are accumulated and amortized over future periods and generally affect our recognized expenses and recorded obligations in such future periods. While we believe that our assumptions are appropriate, significant differences in actual results or significant changes in our assumptions may materially affect our pension and other post-retirement obligations.

Deferred Taxes

We account for income taxes in accordance with FASB ASC Topic 740 (SFAS No. 109 Accounting for Income Taxes), which requires an asset and liability approach to recording current and deferred taxes. Accordingly, the effects of differences between the tax basis of assets and liabilities and the amounts recognized in our consolidated financial statements have been treated as temporary differences for the purpose of recording deferred income tax.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. If we are unable

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to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we could be required to establish a valuation allowance against all or a significant portion of our deferred tax assets resulting in a substantial increase in our effective tax rate and a material adverse impact on our operating results.

We adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (included in FASB ASC Topic 740, Income Taxes), on January 1, 2007, that prescribes a recognition threshold and measurement attribute for the financial statement of a tax position taken or expected to be taken. This Interpretation resulted in increased relevance and comparability in financial reporting of income taxes because all tax positions accounted for in accordance with ASC Topic 740, will be evaluated for recognition, derecognition, and measurement using consistent criteria. This adoption did not result in any material adjustment in the financial statements of the Company.

Depreciation

Depreciation is computed using the straight-line method, at annual rates based on the estimated useful lives of the assets, in accordance with ANEEL regulations and industry practice in Brazil. To the extent that the actual lives differ from these estimates, there would be an impact on the amount of depreciation accrued in our consolidated financial statements. A significant decrease in the estimated useful life of a material amount of property, plant and equipment, or in the assets of the electricity generation project consortium in which we are a partner, could have a material adverse impact on our operating results in the period in which the estimate is revised and in subsequent periods.

Allowance for Doubtful Accounts

We record an allowance for doubtful accounts in an amount that we estimate to be sufficient to cover presently foreseeable losses.

We continuously monitor collections and payments from consumers and review and refine our estimation process. A future change in our estimates could result in an increase in the allowance for doubtful accounts which could have a material adverse impact on our operating results and financial condition.

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Recently Issued U.S. GAAP Pronouncements

- Transfers and Servicing (ASC 860), Accounting for Transfers of Financial Assets (ASU 2009-16)

The FASB issued Accounting Standards Update (ASU) No. 2009 16, Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets (FASB Statement No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140) in December 2009. ASU 2009 16 removes the concept of a qualifying special purpose entity (QSPE) from ASC Topic 860, Transfers and Servicing, and the exception from applying ASC 810 10 to QSPEs, thereby requiring transferors of financial assets to evaluate whether to consolidate transferees that previously were considered QSPEs. Transferor imposed constraints on transferees whose sole purpose is to engage in securitization or asset backed financing activities are evaluated in the same manner under the provisions of the ASU as transferor imposed constraints on QSPEs that were evaluated under the provisions of Topic 860 prior to the effective date of the ASU when determining whether a transfer of financial assets qualifies for sale accounting. The ASU also clarifies the Topic 860 sale accounting criteria pertaining to legal isolation and effective control and creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale. The ASU is effective for periods beginning after December 15, 2009, and may not be early adopted. The Company expects that the adoption of ASU 2009 16 will not have a material impact on its consolidated financial statements.

- Consolidation (ASC 810), Improvements to Financial Reporting by Enterprises Involved With Variable Interest Entities (ASU 2009-17)

The FASB issued ASU 2009 17, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R)) in December 2009. ASU 2009 17, which amends the Variable Interest Entity (VIE) Subsections of ASC Subtopic 810 10, Consolidation Overall, revises the test for determining the primary beneficiary of a VIE from a primarily quantitative risks and rewards calculation based on the VIE s expected losses and expected residual returns to a primarily qualitative analysis based on identifying the party or related party group (if any) with (a) the power to direct the activities that most significantly impact the VIE s economic performance and (b) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. The ASU requires kick out rights and participating rights to be ignored in evaluating whether a variable interest holder meets the power criterion unless those rights are unilaterally exercisable by a single party or related party group. The ASU also revises the criteria for determining whether fees paid by an entity to a decision maker or another service provider are a variable interest in the entity and revises the Topic 810 scope characteristic that identifies an entity as a VIE if the equity-at-risk investors as a group do not have the right to control the entity through their equity interests to address the impact of kick out rights and participating rights on the analysis. Finally, the ASU adds a new requirement to reconsider whether an entity is a VIE if the holders of the equity investment at risk as a group lose the power, through the rights of those interests, to direct the activities that most significantly impact the VIE s economic performance, and requires a company to reassess on an ongoing basis whether it is deemed to be the primary beneficiary of a VIE. ASU 2009 17 is effective for periods beginning after December 15, 2009 and may not be early adopted. The Company expects that the adoption of ASU 2009 17 will not have a material impact on its consolidated financial statements.

- Codification

The FASB issued ASU No. 2009-01 in June 2009. This Update, also issued as FASB Statement of Financial Accounting Standards (SFAS) No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, is effective for financial statements issued after September 15, 2009. ASU No. 2009-01 requires that the FASB s ASC become the sole source of authoritative U.S. generally accepted accounting principles recognized by the FASB for nongovernmental entities. The Codification is meant to simplify user access to all authoritative GAAP by reorganizing GAAP pronouncements into roughly 90 accounting topics within a consistent structure. All

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previous level (a)-(d) US GAAP standards issued by a standard setter is superseded. Level (a)-(d) US GAAP refers to the previous accounting hierarchy. All other accounting literature not included in the Codification is nonauthoritative. Following this Statement, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue ASUs. The Board will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification. CEMIG adopted this ASU effective July 1, 2009.

- FASB Statement No. 157, Fair Value Measurements (SFAS 157)

Effective January 1, 2009, the Company implemented SFAS No. 157, Fair Value Measurements for nonfinancial assets and nonfinancial liabilities measured at fair value, except those that are recognized or disclosed on a recurring basis (at least annually). This Statement was codified into Topic ASC 820 Fair Value Measurement and Disclosures. There was no impact to the Company's consolidated financial statements from the implementation of this Topic for nonfinancial assets and liabilities, other than additional disclosures that have been incorporated into Note 25 of these financial statements.

Table of Contents*Analysis of Electricity Sales and Cost of Electricity Purchased*

Electricity rates in Brazil, related to electricity distribution companies sales to captive customers, are set by ANEEL, which has the authority to readjust and review rates in accordance with the applicable provisions of the concession contracts. See Item 4. The Brazilian Power Industry Rates.

We charge captive consumers for their actual electricity consumption during each 30-day billing period at specified rates. Certain large industrial consumers are charged according to the electricity capacity contractually made available to them by us, with adjustments to those rates according to consumption during peak demand time as well as capacity requirements that exceed the contracted amount.

In general, rates on electricity that we purchase are determined by reference to the capacity contracted for as well as the volumes actually used. In the case of Itaipu, we are committed to purchase 17.3% of the amount of its capacity that Brazil is required to purchase at a fixed price denominated in dollars paid three times a month at exchange rates determined at the time of each payment.

The following table sets forth the average rate (in *reais* per MWh) and volume (by GWh) components of electricity sales and purchases for the periods indicated. The term *average rate* refers to revenues for the relevant class of consumers divided by the MWh used by such class and does not necessarily reflect actual rates and usage by a specific class of end-users during any particular period.

| | Year ended December 31, | | |
|---|-------------------------|--------|--------|
| | 2009 | 2008 | 2007 |
| Electricity Sales: | | | |
| Average rate to final consumers (R\$/MWh) | | | |
| Industrial rate | 160.90 | 145.09 | 132.99 |
| Residential rate | 516.34 | 473.06 | 517.98 |
| Commercial rate | 427.47 | 429.12 | 453.66 |
| Rural rate | 253.17 | 241.29 | 268.64 |
| Public services rate and others | 305.23 | 301.42 | 313.73 |
| Total sales to final consumers (GWh) | | | |
| Industrial consumers | 22,113 | 26,198 | 24,183 |
| Residential consumers | 7,774 | 7,164 | 6,813 |
| Commercial consumers | 4,674 | 4,423 | 4,111 |
| Rural consumers | 2,208 | 2,296 | 2,200 |
| Public services and other consumers | 2,847 | 2,810 | 2,738 |
| Average rate (R\$/MWh) | | | |
| Total revenues (millions of R\$) | 10,994 | 10,497 | 10,191 |
| Sales to distributors: | | | |
| Volume (GWh) | 14,039 | 11,162 | 12,755 |
| Average rate (R\$/MWh) | 110.05 | 82.60 | 86.87 |
| Total revenues (millions of R\$)(1) | 1,545 | 922 | 1,108 |
| Electricity Purchases from Itaipu: | | | |
| Volume (GWh) | 8,889 | 9,021 | 12,135 |
| Average cost (R\$/MWh) | 97.31 | 86.02 | 82.40 |

| | | | |
|------------------------------|-----|-----|-------|
| Total cost (millions of R\$) | 865 | 776 | 1,000 |
|------------------------------|-----|-----|-------|

(1) Does not include R\$137 million, R\$147 million and R\$26 million relating to energy transactions on the CCEE during 2009, 2008 and 2007 respectively.

Distribution Rates

Our results of operations in the past have been significantly affected by fluctuations in the levels of rates that Cemig Distribution is permitted to charge for the generation and distribution of electricity. The rate-setting process in Brazil has historically been influenced by government attempts to control inflation. With the restructuring of the electric power sector in Brazil that commenced in 1995 and under the terms of the renewal of the concession agreement that we signed with ANEEL in 1997, the process by which rates are set has changed to a significant degree.

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ANEEL has approved extraordinary rate increases designed to compensate generation and distribution companies for losses incurred as a result of the Electricity Rationing Plan. See Power Rationing and Government Measures to Compensate Electric Utilities.

ANEEL issued Resolution No. 626 on April 7, 2008, which established the results of our second periodic rate revision. However these results were considered provisional since ANEEL, by public auction, had been changing the legislation regarding the revision process. ANEEL re-issued the result of CEMIG's second period revision based on the results of this public auction. The final components were as follows: (i) a 19.62% decrease in the Rate Adjustment Index; (ii) a 1.88% decrease due to intra-annual variation of fixed costs, or CVA; (iii) a 7.38% increase due to the deferred regulatory asset; (iv) a 4.29% increase due to the anticipation of subsidies on rates and; (v) a 1.35% increase due to other financial adjustments. When considering these financial components, the rates decreased, on average, by 8.48%. The difference between the final and the provisional rate revision between April 8, 2008 and the re-issuing on April 7, 2009 was considered in the 2009 annual adjustment. We expect to experience such rate decreases periodically as our concession contracts are regulated under a price cap regime. Through the periodic rate revisions, our productivity gains are passed on to consumers through reductions in the rates.

On March, 24, 2009, ANEEL released the definitive results of the second periodic rate revision through Resolution No. 787. According to this resolution, the distribution tariffs of Cemig Distribution decreased by 19.62%.

ANEEL issued Resolution No. 797 on April 07, 2009, which established our average annual rate adjustment of 20.81%. The components of this increase were as follows: (i) a 15.01% increase due to the Rate Adjustment Index; (ii) a 4.15% increase due to intra-annual variation of fixed costs; (iii) a 3.47% decrease due to the difference between the provisional and the final result of the second periodic revision; (iv) a 3.47% increase due to the anticipation of subsidies on rates granted to some types of consumers and (v) a 1.65% increase due to other financial adjustments.

On April 6, 2010 ANEEL established an average annual rate adjustment of 7.58%. The components of this increase were as follows: (i) a 3.41% increase due to the Rate Adjustment Index; (ii) a 1.45% decrease due to intra-annual variation of fixed costs; (iii) a 6.35% increase due to the anticipation of subsidies on rates granted to certain consumers and (iv) a 5.59% decrease due to other financial adjustments.

The 2010, 2009 and 2008 average annual rate adjustments and revision with their respective components are presented in the table below:

| | 2010 | 2009 | 2008 |
|--|--------|---------|----------|
| Average annual/periodic rate adjustment | 7.58% | 20.81% | (8.48)% |
| Components | | | |
| Rate adjustment index | 3.41% | 15.01% | (19.62)% |
| Deferred regulatory asset | | 7.38% | |
| Intra-annual variation of fixed costs (CVA) | -1.45% | 4.15% | 1.88% |
| Adjustment related to the re-issuing of the second periodic revision | | (3.47)% | |
| Anticipation of subsidies on rates | 6.35% | 3.47% | 4.29% |

| | | | |
|-----------------------------|--------|-------|-------|
| Other financial adjustments | -5.59% | 1.65% | 1.35% |
|-----------------------------|--------|-------|-------|

Transmission Rates

The revenue adjustment of the electricity transmission grids owned by CEMIG, as specified the concession contract, occurs annually in June, affecting our July results. The contract also establishes a four-year period between periodic revisions.

In 2009, ANEEL performed our first periodic revision with the results being retroactive to 2005, since the methodology and rules to be applied by ANEEL were previously in development. The results reflect a reassessment of the entire asset base of Cemig Generation and Transmission and a review of permitted operational costs. ANEEL issued Resolution No. 836 on June 23, setting the

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results for the utility's transmission revenue requirement. The revision allowed an annual revenue increase of 5.35% which is retroactive to 2005. The revenue recovery represents R\$158 million and will be received within 24 months.

The concession contract provides that the revenue requirements are restated for inflation annually in accordance with the General Market Price Index, IGP-M. This IGP-M index rose 3.64% from June 2008 to May 2009. Due to this periodic revision increasing the transmission revenue requirement, the annual rate adjustment established by the regulator represented a 9.18% increase in rates in 2009.

Power Rationing and Government Measures to Compensate Electric Utilities

Low amounts of rainfall in 2000 and early 2001, vigorous growth in demand for energy and Brazil's significant dependence on electricity generated from hydrological resources resulted in abnormally low water levels in many reservoirs that are used to power Brazil's major hydroelectric generation facilities. In May 2001, the Federal Government announced several measures requiring reductions in electricity consumption in response to these conditions (the Electricity Rationing Plan). The power rationing measures ultimately ceased on February 28, 2002.

On December 12, 2001, the Federal Government authorized the creation of the General Agreement of the Electricity Sector. The General Agreement of the Electricity Sector provides that electric power distribution and generation companies in Brazil, such as us, will be compensated for revenue losses caused by the reduction in amounts of energy sold and the purchase of energy on the CCEE, as applicable, due to the Federal Government-mandated rationing measures. Compensation is made by means of an extraordinary increase in the energy rate applicable to future power sales and companies are entitled to use this increased rate for an average period of 74 months, which ended in March 2008. See Note 4 to our consolidated financial statements.

Impact of Our Account Receivable from the State Government

We have an account receivable from the State Government, referred to as the CRC Account, that totaled R\$1,824 million as of December 31, 2009. Our liquidity is affected by payments made by the State Government in connection with the CRC Account. The agreement between CEMIG and the State Government that governs the CRC Account receivable is referred to as the CRC Account Agreement. The CRC Account Agreement has been amended five times, as described below.

On January 24, 2001, the First Amendment to the CRC Account Agreement replaced the monetary adjustment index of UFIR with the IGP-DI, retroactive to November 2000, since the UFIR was eliminated in October 2000.

The State Government did not make any payments to us under the CRC Account Agreement in 2001 or 2002 and therefore, in October 2002, the Second and Third Amendments to the CRC Account Agreement were signed, which separated the debt into two amounts and established new payment terms. In 2003 and 2004, we offset a portion of these overdue amounts from 2001 and 2002 against payments of interest on capital that we are required to make to the State Government as our shareholder. We had recorded a provision for losses as of December 31, 2004 for the total amount of the Second Amendment, since the State Government had not made payments on this balance since January 2003 and the Second

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Amendment did not provide for any guarantees. The Third Amendment stipulated that the guarantee relating to the dividends payable to the State Government would remain in force even after the original term of the Third Amendment. Our long-term estimates of future net income indicated that the dividends payable to the State Government would be sufficient to recover the amounts due under the Third Amendment and, consequently, no provision for losses was recorded.

Given the prior default by the State Government in the payment of amounts due under the CRC Account Agreement since 2001, and in order to ensure the full payment to us of the installments due by the State Government under the CRC Account balance, the Fourth Amendment to the CRC Account Agreement was signed on January 23, 2006. Under the Fourth Amendment, the State Government irrevocably agreed to pay the outstanding CRC Account balance, corresponding to R\$2,942 million at December 31, 2004, plus interest, by authorizing CEMIG to retain 65% of the ordinary dividends and interest on capital due to the State Government. The outstanding balance is subject to monetary correction for inflation by the variation in the IGP-DI inflation index and will bear interest at 8.18% per year, compounded semi-annually.

Under the Fourth Amendment to the CRC Account Agreement, the State is required to make 61 semi-annual payments due on June 30 and December 31 of each year. The Fourth Amendment applies retroactively to December 31, 2004, at which time there was an outstanding balance of R\$2,941.6 million under the CRC Account, with the first payment date being June 30, 2005 and the final payment being due on June 30, 2035. The semi-annual payments will be adjusted for inflation by the IGP-DI inflation index. The 65% of dividends and interest on capital retained by CEMIG are to be applied in the following order: (i) the settlement of any past due installments, (ii) the settlement of the installment relating to the half-year in which dividend or interest on capital takes place, (iii) pre-payment of up to two installments and (iv) amortization of the outstanding balance due under the CRC Account.

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A Fifth Amendment to the CRC Account Agreement was executed by CEMIG and the State Government on September 12, 2007. The Fifth Amendment adjusts the outstanding balance of the CRC Agreement to R\$2,839.5 million in accordance with a provision in the Fourth Amendment in which the parties recognized that there was a disagreement regarding the outstanding balance of the CRC Agreement at December 31, 2004. Approval for the Fifth Amendment to the CRC Account Agreement was also obtained from the CEMIG CRC Account Securitization Fund (CEMIG *Fundo de Investimento em Direitos Creditórios Conta CRC*), or FIDC, to which the CRC Account receivables were transferred in January 2006.

If the retention of ordinary dividends and interest on capital is not sufficient to cover the applicable installment, beginning on January 1, 2008, CEMIG is entitled to retain up to 65% of any extraordinary dividends or interest on equity due to the State Government for the payment of that installment. Furthermore, if the sum of 65% of the ordinary dividends and interest and capital and extraordinary dividends on interest and capital is not sufficient to cover an installment due, CEMIG is entitled to retain 100% of such dividends and interest on capital, beginning in the six-month period immediately following that of the past due date of the past due installment. In addition, if there is a reduction in the ownership of CEMIG by the State Government, the retention percentage will be automatically adjusted upward such that the amount of the dividend retained will remain the same as the amount equal to 65% of dividends based on the current ownership of CEMIG by the State Government.

In January 2006, we created the CEMIG CRC Account Securitization Fund (CEMIG *Fundo de Investimento em Direitos Creditórios Conta CRC*), or the FIDC. We assigned all our receivables under the CRC Account Agreement to the FIDC. The value of the CRC Account receivables transferred to the FIDC was R\$1,659 million, as of January 27, 2006 and the capital structure of the FIDC is composed of R\$900 million of senior quotas held by third parties and approximately R\$759 million of subordinated quotas held by us. The FIDC is fully consolidated by us and the senior quotas are recorded as long-term financing.

The Company has recorded a provision for losses on the CRC Account receivable under the Fourth Amendment of the CRC Account Agreement in the amount of R\$115 million in 2009, R\$492 million in 2008 and R\$372 million in 2007 and a reversal provision for losses of R\$99 million in 2006. Our estimate of future net income to calculate such provision did not take into account the new asset acquisitions foreseen in our long-term strategic plan.

Exchange Rates

Substantially all of our revenues and operating expenses are denominated in *reais*. Although our electricity purchases from Itaipu are denominated in U.S. dollars, the related foreign exchange risk is no longer reflected in our operating revenues and operating expenses due to rate legislation changes in 2001 which allow electricity utilities such as us to record exchange rate losses related to Itaipu purchases as deferred regulatory assets. However, we have foreign currency-denominated debt. As a result, in reporting periods when the *real* declines against the dollar or other foreign currencies in which our debt is denominated, our operating results and financial position are adversely affected. Foreign exchange gain or loss and monetary variation gain or loss may impact our results of operations in periods in which there are wide swings in the value of the *real* relative to the dollar or high inflation. We have a number of financial and other contracts under which we owe, or are entitled to, amounts in respect of monetary variation as measured by an index of price inflation in Brazil. In 2009, we used financial instruments such as interest rate swaps in order to reduce the risk from exchange rate fluctuations. As of December 31, 2009, we had entered into swap agreements in the notional amount of US\$8 million in order to change the original interest rate of certain financing from an interest rate calculated based on the U.S. dollar variation to an interest rate calculated based on the Interbank Certificates of Deposit rate (*Certificado de Depósito Interbancário*), or CDI rate. See Notes 2(d), 14, 22, 24 and 25 to our consolidated financial statements.

Unbundling

In 2004, we undertook a reorganization of our corporate structure to comply with Law 10,848/04, which establishes that a distribution company may not exercise other activities such as the generation and transmission of electric energy. Two wholly-owned subsidiaries were created, Cemig Generation and Transmission and Cemig Distribution, which carry out the activities of electricity generation and transmission and electricity distribution, respectively. This process was finalized by ANEEL with respect to our distribution and transmission concessions through amendments to the existing concession contracts, and was finalized with respect to the generation concession upon ANEEL's convocation to sign amendments to the existing generation contracts, on October 22, 2008.

Following the unbundling of CEMIG's operations, ANEEL determined that CEMIG, Cemig Distribution and Cemig Generation and Transmission must prepare a formal cooperation agreement and submit it for approval by ANEEL. This agreement is to govern common use of human or physical resources when they are shared by the concession holders and the division and reimbursement of costs incurred by each company. The agreement was approved on October 29, 2008, by means of ANEEL's Dispatch No. 3924-SFF.

Table of Contents*Financial Reporting and Tax Considerations*

The unbundling has not resulted in material differences in the presentation of our reporting for financial purposes in accordance with U.S. GAAP or Brazilian GAAP since the financial results of the new generation, transmission and distribution subsidiaries are consolidated with ours. Our marginal tax rate, on a consolidated basis, has not changed materially as a result of the unbundling. However, our operating results were adversely affected as a consequence of the application of certain Brazilian revenue taxes. The revenue taxes which caused the adverse effect on operating results include the *Contribuição para Seguridade Social* (a federal social security contribution), or COFINS, and the *Programa de Formação do Patrimônio do Servidor* (a fund for the benefit of public employees), or PASEP, and were assessed against our consolidated revenues at a combined rate of approximately 4.65% from December 2002 to January 2004 and 3.65% from January through November 2002. Since February 2004, the combined tax rate for these contributions is 9.25% of a tax base equal to the gross revenue less certain deductions. Due to the unbundling, the revenue taxes were assessed at the subsidiary level with respect to revenues of the generation subsidiary and, separately, revenues of the distribution subsidiary.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008*Net Operating Revenues*

Net operating revenues increased 12.9% from R\$9,828 million in 2008 to R\$11,100 million in 2009.

| | 2009 (in millions of R\$) | % of net operating revenues | 2008 (in millions of R\$) | % of net operating revenues | 2009 versus 2008 % |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--------------------------|
| Electricity sales to final consumers | 10,994 | 99.0 | 10,497 | 106.81 | 4.7 |
| Electricity sales to the interconnected power system | 1,682 | 15.2 | 1,069 | 10.9 | 57.3 |
| Use of basic transmission and distribution networks | 1,999 | 18.01 | 1,865 | 19.0 | 3.3 |
| Other operating revenues | 277 | 2.5 | 241 | 2.4 | 14.9 |
| Tax on revenues | (3,852) | (34.7) | (3,844) | (39.1) | |
| Total net operating revenues | 11,100 | 100.0 | 9,828 | 100.0 | 12.3 |

Revenues from electricity sales to final consumers increased 4.7% from R\$10,497 million in 2008 to R\$10,994 million in 2009 due to rate adjustments of a 6.2% increase in April 2009 and a 0.7% decrease in the volume of our electricity sales in 2009, offset by the 12.8% decrease in the average tariff in 2009. The TUSD charges related to the use of the local distribution network of the Free Consumers, which began to be charged separately in 2004 and recorded under the item Use of basic transmission and distribution networks, were R\$1,121 million in 2009

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compared to R\$1,266 million in 2008. This decrease is due to an average rate decrease of 3.15% and also a decrease in the volume of the use of distribution networks related to the world economic crisis. Electricity sales to final customers and the TUSD revenues together increased 3.0% in 2009 compared to 2008.

Electricity sales to the interconnected power system were R\$1,682 million in 2009, a 57.3% increase compared to R\$1,069 million in 2008. The volume of energy sold to interconnected power system supply in 2009 was 14,039 GWh, which compares with 11,162 GWh in 2008. The average sale tariff in 2009 was R\$125.00/MWh to R\$145.77/MWh compared to R\$82.60/MWh in 2008 and to R\$86.87/MWh in 2007.

Income from the use of the basic transmission network increased R\$134 million, or 7.2%, from R\$1,865 million in 2008 to R\$1,999 million in 2009. This variation arises mainly from the extraordinary revenue recorded in 2009 of R\$158 million, due to the Tariff Review of Cemig Generation and Transmission, the effects of which were backdated to the whole period between July 1, 2005 and June 30, 2009. See Note 27 to our consolidated financial statements.

Taxes on revenues were R\$3,852 million in 2009, compared to R\$3,844 million in 2008, and showed no significant variation. Taxes on revenues consist of: (i) VAT, assessed at an average rate of 21% on electricity sales to final consumers, and VAT billed to

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consumers related to the deferred regulatory assets; (ii) COFINS, assessed at a rate of 7.6%; and (iii) PASEP, assessed at a rate of 1.65%. See Note 19 to our consolidated financial statements.

Operating Costs and Expenses

Operating costs and expenses increased 13.8% to R\$8,581 million in 2009 compared to R\$7,541 million in 2008. This increase was principally due to electricity purchased for resale use of basic transmission network, personnel expenses, regulatory charges and third-party services.

Other expenses increased 18.5% from R\$410 million in 2008 to R\$486 million in 2009, primarily due to R\$241 million of provisions for contingencies related to doubtful accounts and civil lawsuits in 2009, compared to provisions of R\$116 million in 2008. See Note 20 to our consolidated financial statements

| | 2009 (in millions of R\$) | % of net operating revenues | 2008 (in millions of R\$) | % of net operating revenues | 2009 versus 2008 - % |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|-------------------------|
| Electricity purchased for resale | (3,061) | (27.6) | (2,267) | (23.1) | 35.0 |
| Use of basic transmission network | (756) | (6.8) | (634) | (6.5) | 19.2 |
| Depreciation and amortization | (711) | (6.4) | (769) | (7.8) | (7.5) |
| Personnel | (1,190) | (10.7) | (1,004) | (10.2) | 18.5 |
| Regulatory charges | (1,142) | (10.3) | (1,024) | (10.4) | 11.5 |
| Third-party services | (729) | (6.6) | (605) | (6.2) | 20.5 |
| Employee post-retirement benefits | (176) | (1.6) | (277) | (2.8) | (36.5) |
| Materials and supplies | (105) | (1.0) | (170) | (1.7) | (38.2) |
| Reversion (Provision) for loss on deferred regulatory assets | 8 | 0.1 | (19) | (0.2) | |
| Employee profit sharing | (233) | (2.1) | (362) | (3.7) | (35.6) |
| Other | (486) | (4.4) | (410) | (4.2) | 18.5 |
| Total operating costs and expenses | (8,581) | (77.3) | (7,541) | (76.7) | 13.8 |

Electricity purchased for resale consists primarily of purchases from Itaipu through Eletrobras and competitive biddings. We are required under applicable regulations to purchase part of Itaipu's capacity at U.S. dollar-denominated prices. We also purchase electricity from the CCEE and through bilateral contracts. Electricity purchased for resale increased 35.0% from R\$2,267 million in 2008 to R\$3,061 million in 2009. The

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amounts of electricity purchased for resale reported in the income statement refer to the amounts that were in fact included in the calculation of the tariff to be applied, in accordance with FASB ASC Topic 980 Regulated Operations (FASB Statement No. 71 - Accounting for the Effects of Certain Types of Regulation. See Note 20 to our consolidated financial statements.

Charges for use of basic transmission network mainly correspond to the cost of transporting electricity in the Brazilian basic transmission network which is prorated among the Brazilian distribution companies. Charges for use of the basic transmission network are fixed costs, which increased 19.2% from R\$634 million in 2008 to R\$756 million in 2009. This increase in costs is due to an increase of 18.01% in the rates for the use of basic transmission network and a small increase in the amount of electricity capacity assigned with the transmission companies. The amount reported in the income statement refers to the amounts that were in fact included in the calculation of the tariff to be applied, in accordance with SFAS 71 Accounting for the Effects of Certain Types of Regulation.

Depreciation and amortization expenses decreased 7.5% from R\$769 million in 2008 to R\$711 million in 2009. This decrease arises from fixed assets that were fully depreciated during the fiscal year of 2008 and 2009.

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Personnel expenses increased 18.5% from R\$1,004 million in 2008 to R\$1,190 million in 2009. This increase was due to: (i) salary increases of 7.26% and 4.88% given to employees in November 2008 and 2009, respectively; (ii) dismissal expenses of R\$206 million in 2009, under the Temporary Voluntary Dismissal Program; and (iii) lower transfer of costs from personnel expenses to works in progress (R\$151 million in 2009 compared to R\$161 million in 2008) due to less capital expenditure activity in 2009. See Note 20 to our consolidated financial statements.

Regulatory charges increased 11.5% from R\$1,024 million in 2008 to R\$1,142 million in 2009, primarily due to the increase of R\$46 million in the fuel usage quota and an increase of R\$44 million in energy development account. The fuel usage quota represents contributions made by the electricity company concessionaires to subsidize the cost of fuel used in the thermoelectric energy generating process in the Brazilian energy system. The amounts reported in the income statement related to regulatory charges refer to the amounts that were in fact included in the calculation of the tariff to be applied, in accordance with FASB ASC Topic 980.

Third-party services expense increased 20.5% from R\$605 million in 2008 to R\$729 million in 2009. The increase was due mainly to higher costs in 2009 related to maintenance and conservation of installations and equipment and outsourcing services, tax collecting agents and outsourcing services.

Employee post-retirement benefits expenses decreased 36.5% from R\$277 million in 2008 to R\$176 million in 2009. These expenses primarily represent interest on the actuarial liabilities net of the expected return on plan assets, as estimated by an external expert. The lower expense in 2009 arose from the higher profitability for the plan assets compared to the increase of the interest rates, used to calculate our Projected Benefit Obligation. See Note 16 to our consolidated financial statements.

We recorded a reversion for losses on deferred regulatory assets of R\$8 million in 2009 compared to a provision for losses R\$19 million in 2008. The reversion (provision) recorded is related to the amounts that CEMIG receives from other distribution companies in connection with energy transactions on the CCEE/MAE during the Electricity Rationing Plan. These distribution companies have a limited time, as stipulated by ANEEL, to transfer the amounts owed to us. See Note 4 to our consolidated financial statements.

Employee profit sharing decreased 35.6% from R\$362 million in 2008 to R\$233 million in 2009. This decrease is due to a lower payment amount established under the collective labor agreements entered into by CEMIG and the labor unions in November 2009. See Note 21 to our consolidated financial statements.

Other expenses increased 18.5% from R\$410 million in 2008 to R\$486 million in 2009, primarily due to provision for contingencies in the amount of R\$177 million due to an agreement with a major consumer partially offset by R\$31 million of reversion provision for contingencies related to labor claims. See Notes 17 and 20 to our consolidated financial statements.

Operating Income

As a result of the foregoing, we had operating income of R\$2,519 million in 2009 compared to operating income of R\$2,287 million in 2008.

Financial Income, Net

Financial income net, includes (i) financial income, which is mainly comprised of interest and a monetary restatement of our account receivable from the State Government, investment income earned, late charges on overdue electricity bills, foreign exchange gains, monetary restatement on deferred regulatory assets and (ii) financial expenses, which are mainly comprised of interest expense on loans and financing, the *Contribuição Provisória sobre a Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira* (a financial transaction tax), or CPMF, which was extinguished on January of 2008, foreign exchange losses, monetary restatement losses, monetary restatement of deferred regulatory liabilities and other expenses. We had net financial expense of R\$109 million in 2009 compared to net financial income of R\$17 million in 2008, principally due to a 64.7% decrease in monetary restatements on deferred regulatory assets net of liabilities in 2009. This decrease mainly resulted from a reduction in assets related to the deferred rate adjustment in 2009 compared to 2008, due to receipt of values receivable into electricity energy accounts paid by clients.

Non-Operating Income

We had non-operating income of R\$165 million in 2009 compared to non-operating income of R\$204 million in 2008. The non-operating income recorded in 2009 is related to our investment in Light and other jointly controlled companies. See Note 9 to our consolidated financial statements.

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Income Taxes

Income taxes were an expense of R\$807 million on pre-tax income of R\$2,575 million in 2009, compared to an expense of R\$755 million on pre-tax income of R\$2,508 million in 2008. The main difference in 2009 between income tax calculated at the statutory rate and the income tax expense recorded is the tax benefit mainly due to equity in investees and to interest on capital. See Note 5 to our consolidated financial statements.

Net Income

As a result of the foregoing, we had a net income of R\$1,768 million in 2009 compared to net income of R\$1,753 million in 2008.

Other Comprehensive Income (Loss)

Other comprehensive income was R\$253 million in 2009 compared to other comprehensive income of R\$299 million in 2008. This variation was due to an increase in the unfunded status of post-retirement benefits in 2009, as a result of a higher increase in the plan assets compared to the increase in the projected benefit obligation in that year. The increase of the plan assets was due to a higher profitability of the equity securities investments in 2009 compared to 2008..

Comprehensive Income

As a result of the factors stated above, comprehensive income was R\$2,021 million in 2009 compared to R\$2,052 million in 2008.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Operating Revenues

Net operating revenues increased 4.2 % from R\$9,430 million in 2007 to R\$9,828 million in 2008.

| 2008 | % of net operating | 2007 | % of net operating | 2008 versus |
|------|-----------------------|------|-----------------------|----------------|
|------|-----------------------|------|-----------------------|----------------|

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| | (in millions of R\$) | revenues | (in millions of R\$) | revenues | 2007 - % |
|--|-------------------------|----------|-------------------------|----------|----------|
| Electricity sales to final consumers | 10,497 | 106.81 | 10,191 | 108.10 | 3.00 |
| Electricity sales to the interconnected power system | 1,069 | 10.9 | 1,134 | 12.0 | (5.7) |
| Use of basic transmission and distribution networks | 1,865 | 19.0 | 1,705 | 18.1 | 9.4 |
| Other operating revenues | 241 | 2.4 | 236 | 2.5 | 2.1 |
| Tax on revenues | (3,844) | (39.1) | (3,836) | (40.7) | 0.2 |
| Total net operating revenues | 9,828 | 100.0 | 9,430 | 100.0 | 4.2 |

Revenues from electricity sales to final consumers increased 3.00% from R\$10,191 million in 2007 to R\$10,497 million in 2008 due to rate adjustments of a 5.2% increase in April 2007 and a 6.4% increase in the volume of our electricity sales to final consumers in 2008, offset by the 3.83% decrease in the average tariff in 2008, as per the reduction in the tariffs of Cemig Distribution by the Tariff Review on April 8, 2008. The TUSD charges related to the use of the local distribution network of the Free Consumers, which began to be charged separately in 2004 and recorded under the item Use of basic transmission and distribution networks, were R\$1,266 million in 2008 compared to R\$1,173 million in 2007. Electricity sales to final customers and the TUSD revenues together increased 4.6% in 2008 compared to 2007.

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Electricity sales to the interconnected power system were R\$1,069 million in 2008, a 5.7% decrease compared to R\$1,134 million in 2007. The volume of energy sold to interconnected power system supply in 2008 was 11,162 GWh, which compares with 12,755 GWh in 2007. The average sale tariff in 2008 was R\$82.60/MWh compared to R\$86.87/MWh in 2007.

Income from the use of the basic transmission network increased R\$160 million, or 9.4%, from R\$1,705 million in 2007 to R\$1,865 million in 2008. This variation arises from: (i) the July 2008 increase of 11.8% in the permitted revenue in the transmission sector from the adjustment made by applying the IGP-M inflation index over the 12 previous months; and (ii) operational startup of network expansions, resulting in the Regulator allowing a higher revenue level. Additionally there was a R\$35 million reduction in revenue from the basic grid in 2007, due to the review, as per ANEEL decisions, of the annual permitted revenues linked to the new facilities of the basic grid and other transmission facilities for electricity transmission concession holders. See Note 19 to our consolidated financial statements.

Taxes on revenues were R\$3,844 million in 2008, compared to R\$3,836 million in 2007, and showed no significant variation. Taxes on revenues consist of: (i) VAT, assessed at an average rate of 21% on electricity sales to final consumers, and VAT billed to consumers related to the deferred regulatory assets; (ii) COFINS, assessed at a rate of 7.6%; and (iii) PASEP, assessed at a rate of 1.65%. See Note 19 to our consolidated financial statements.

Operating Costs and Expenses

Operating costs and expenses increased 2.6% to R\$7,541 million in 2008 from R\$7,351 million in 2007. This increase was principally due to electricity purchased for resale, personnel expenses and employee post-retirement benefits, partially offset by a lower provision for loss on deferred regulatory assets and depreciation and amortization.

| | 2008 (in millions of R\$) | % of net operating revenues | 2007 (in millions of R\$) | % of net operating revenues | 2008 versus 2007 - % |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|-------------------------|
| Electricity purchased for resale | (2,267) | (23.1) | (2,147) | (22.8) | 5.6 |
| Use of basic transmission and distribution networks | (634) | (6.5) | (564) | (6.0) | 12.4 |
| Depreciation and amortization | (769) | (7.8) | (878) | (9.3) | (12.4) |
| Personnel | (1,004) | (10.2) | (884) | (9.4) | 13.6 |
| Regulatory charges | (1,024) | (10.4) | (967) | (10.3) | 5.9 |
| Regulatory liability special liabilities | | | | | |
| Third-party services | (605) | (6.2) | (550) | (5.8) | 10.0 |
| Employee post-retirement benefits | (277) | (2.8) | (140) | (1.5) | 97.9 |

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| | | | | | |
|--|---------|--------|---------|--------|--------|
| Materials and supplies | (170) | (1.7) | (148) | (1.6) | 14.9 |
| Provision for loss on deferred regulatory assets | (19) | (0.2) | (146) | (1.5) | (87.0) |
| Employee profit sharing | (362) | (3.7) | (455) | (4.8) | (20.4) |
| Other | (410) | (4.2) | (472) | (5.0) | (13.1) |
| Total operating costs and expenses | (7,541) | (76.7) | (7,351) | (78.0) | 2.6 |

Electricity purchased for resale consists primarily of purchases from Itaipu through Eletrobras and competitive biddings. We are required under applicable regulations to purchase 17.3% of Itaipu's capacity at U.S. dollar-denominated prices. We also purchase electricity from the CCEE and through bilateral contracts. Electricity purchased for resale increased 5.6% from R\$2,147 million in 2007 to R\$2,267 million in 2008. The amounts of electricity purchased for resale reported in the income statement refer to the amounts that were in fact included in the calculation of the tariff to be applied, in accordance with SFAS 71 Accounting for the Effects of Certain Types of Regulation. See Note 20 to our consolidated financial statements.

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Charges for use of the basic transmission network mainly correspond to the cost of transporting electricity in the Brazilian basic transmission network which is prorated among the Brazilian distribution companies. Charges for use of the basic transmission network are fixed costs, which increased 12.4% from R\$564 million in 2007 to R\$634 million in 2008. The amount reported in the income statement refers to the amounts that were in fact included in the calculation of the tariff to be applied, in accordance with SFAS 71 Accounting for the Effects of Certain Types of Regulation.

Depreciation and amortization expenses decreased 12.4% from R\$878 million in 2007 to R\$769 million in 2008. This decrease arises from the depreciation of Special Obligations, from April 8, 2008, the date of the second-cycle tariff review.

Personnel expenses increased 13.6% from R\$884 million in 2007 to R\$1,004 million in 2008. This increase was due to: (i) salary increases of 5.00% and 7.26% given to employees in November 2007 and 2008, respectively; (ii) dismissal expenses of R\$50 million in 2008, under the Voluntary Dismissal Program; and (iii) lower transfer of costs from personnel expenses to works in progress (R\$161 million in 2008 compared to R\$179 million in 2007) due to less capital expenditure activity in 2008. See Note 30 to our consolidated financial statements.

Regulatory charges increased 5.9% from R\$967 million in 2007 to R\$1,024 million in 2008, primarily due to the increase of R\$34 million in the fuel usage quota and an increase of R\$34 million in global reserves for reversion quota. The fuel usage quota represents contributions made by the electricity company concessionaires to subsidize the cost of fuel used in the thermoelectric energy generating process in the Brazilian energy system. The amounts reported in the income statement related to regulatory charges refer to the amounts that were in fact included in the calculation of the tariff to be applied, in accordance with SFAS 71 Accounting for the Effects of Certain Types of Regulation.

Third-party services expense increased 10.0% from R\$550 million in 2007 to R\$605 million in 2008. The increase was due mainly to higher costs in 2008 related to maintenance and conservation of installations and equipment and outsourcing services.

Employee post-retirement benefits expenses increased 97.9% from R\$140 million in 2007 to R\$277 million in 2008. These expenses primarily represent interest on the actuarial liabilities net of the expected return on plan assets, as estimated by an external expert. The higher expense in 2008 arose from the adjustment to the actuarial assumptions in December 2007 and the reduction of the interest rates, used to calculate our Projected Benefit Obligation, which increased the value of the actuarial obligations. See Note 16 to our consolidated financial statements. We recorded a provision for losses on deferred regulatory assets of R\$19 million in 2008 compared to R\$146 million in 2007. The provision recorded is related to the amounts that CEMIG receives from other distribution companies in connection with energy transactions on the CCEE/MAE during the Electricity Rationing Plan. These distribution companies have a limited time, as stipulated by ANEEL, to transfer the amounts owed to us. See Note 4 to our consolidated financial statements.

Employee profit sharing decreased 20.4% from R\$455 million in 2007 to R\$362 million in 2008. This decrease is due to a lower payment amount established under the collective labor agreements entered into by CEMIG and the labor unions in November 2008. See Note 21 to our consolidated financial statements.

Other expenses decreased 13.1% from R\$472 million in 2007 to R\$410 million in 2008, primarily due to R\$57 million of provisions for doubtful accounts in 2008, compared to R\$93 million in 2007, and R\$99 million of provisions for contingencies related to labor claims and civil lawsuits in 2008, compared to R\$118 million in 2007. See Note 20 to our consolidated financial statements.

Operating Income

As a result of the foregoing, we had operating income of R\$2,287 million in 2008 compared to operating income of R\$2,079 million in 2007.

Financial Income, Net

Financial income net, includes (i) financial income, which is mainly comprised of interest and a monetary restatement of our account receivable from the State Government, investment income earned, late charges on overdue electricity bills, foreign exchange gains, monetary restatement on deferred regulatory assets and (ii) financial expenses, which are mainly comprised of interest expense on loans and financing, the *Contribuição Provisória sobre a Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira* (a financial transaction tax), or CPMF, which was extinguished on January of 2008, foreign exchange losses, monetary restatement losses, monetary restatement of deferred regulatory liabilities and other expenses. We had net financial income of R\$17 million in 2008 compared to net financial expense of R\$48 million in 2007, principally due to a 47.0% decrease in monetary restatements on deferred regulatory assets net of liabilities in 2008. This decrease mainly resulted from a reduction in assets related to

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the deferred rate adjustment in 2008 compared to 2007, due to receipt of values receivable into electricity energy accounts paid by clients.

Non-Operating Income

We had non-operating income of R\$204 million in 2008 compared to non-operating income of R\$272 million in 2007. This difference is mainly due to R\$49 million recognized in 2007, as result of sale of Empresa Infovias S.A.'s equity interest in WAY TV Belo Horizonte S.A.

Income Taxes

Income taxes were an expense of R\$755 million on pre-tax income of R\$2,508 million in 2008, compared to an expense of R\$685 million on pre-tax income of R\$2,303 million in 2007. The main difference in 2008 between income tax calculated at the statutory rate and the income tax expense recorded is the tax benefit mainly due to equity in investees. See Note 5 to our consolidated financial statements.

Net Income

As a result of the foregoing, we had a net income of R\$1,753 million in 2008 compared to net income of R\$1,618 million in 2007.

Other Comprehensive Income (Loss)

Other comprehensive income was R\$299 million in 2008 compared to other comprehensive loss of R\$400 million in 2007. This variation was due to an increase in the unfunded status of post-retirement benefits in 2007, as a result of a higher increase in the projected benefit obligation compared to the increase in the plan assets in that year.

Comprehensive Income

As a result of the factors stated above, comprehensive income was R\$2,052 million in 2008 compared to R\$1,218 million in 2007.

Liquidity and Capital Resources

Our business is capital intensive. Historically, we have required capital to finance the construction of new generation facilities and the expansion and modernization of existing generation, transmission and distribution facilities. Our liquidity requirements are also affected by our dividend policy. See Item 8. Financial Information Dividend Policy and Payments. We have funded our liquidity and capital requirements primarily with cash provided by operations and, to a lesser extent, with proceeds of financings. We believe that our current cash reserves, cash provided by operations and anticipated proceeds from financings will be sufficient during the next 12 months to meet our liquidity requirements.

Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2009 were R\$3,904 million compared to R\$1,969 million as of December 31, 2008 and R\$1,784 million as of December 31, 2007. None of our cash or cash equivalents was held in currencies other than *reais* as of December 31, 2009.

Cash Flow from Operating Activities

Net cash provided by operating activities in 2009, 2008 and 2007 totaled R\$3,319 million, R\$2,961 million and R\$2,836 million, respectively. The increase in cash provided by operating activities in 2009 compared to 2008 was due mainly to the higher net income in 2009 adjusted by non-cash expenses and revenues. The increase in 2008 compared to 2007 was due mainly to the higher

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net income in 2008. Significant non-cash items affecting earnings included depreciation and amortization expense as a result of our on-going capital improvements projects, recognition of deferred regulatory assets and liabilities, the effects of monetary variation and exchange rate variations and deferred income taxes.

Cash Flow from Investing Activities

Net cash provided by investing activities during 2009, 2008 and 2007 amounted to R\$3,177 million, R\$1,280 million and R\$1,114 million, respectively. The increase in cash used in investing activities in 2009 compared to 2008 is due to acquisition of investments in affiliates. The investments in affiliates amounted to R\$2,014 million, R\$220 million and R\$26 million in 2009, 2008 and 2007, respectively. Capital expenditures from the acquisition of property, plant and equipment amounted to R\$851 million, R\$971 million and R\$1,120 million in 2009, 2008 and 2007, respectively. See Item 4. Information on the Company Capital Expenditures and Investments in Affiliates for more detail regarding how these capital expenditures were applied by us.

Cash Flow from Financing Activities

We are committed to lengthening our debt profile through long-term financing vehicles at low interest rates, the maturities and obligations of which are compatible with the nature of our business, which is capital-intensive. We seek to balance the proportions of short and long-term financings and not to increase our exposure to short-term rates, nor undergo any liquidity pressures. Through this policy, we have succeeded in improving our credit ratings, reducing our cost of capital and improving our debt profile. Our principal form of funding is through the issuance of debentures and the issuance of medium-term notes (known in Brazil as commercial paper), the latter being mostly used to meet short-term obligations.

Net cash used from financing activities during 2009 was R\$1,793 million, comprised of the proceeds from issuance of long-term financing of R\$3,614 million, partially offset by repayment of R\$884 million of *real* and foreign currency-denominated long-term financing and the payment of R\$937 million in dividends and interest on capital.

Net cash from financing activities during 2008 was R\$1,496 million, comprised of the repayment of R\$807 million of *real* and foreign currency-denominated long-term financing and the payment of R\$865 million in dividends and interest on capital, partially offset by R\$176 million in proceeds from long-term financings.

Net cash from financing activities during 2007 was R\$1,046 million, comprised of the repayment of R\$1,134 million of *real* and foreign currency-denominated long-term financing and the payment of R\$1,334 million in dividends and interest on capital, partially offset by R\$589 million and R\$833 million in proceeds from long-term financings and short-term loans, respectively.

Our indebtedness from loans, financings and debentures as of December 31, 2009 was R\$9,277 million, composed of R\$5,364 million of long-term debt and R\$3,913 million of the current portion of long-term debt. This compares with indebtedness from loans, financings and debentures as of December 31, 2008 of R\$6,511 million, composed of R\$5,314 million of long-term debt and R\$1,197 million of the current

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portion of long-term debt. Of our long-term debt (including the current portion) at December 31, 2009, R\$190 million was denominated in foreign currencies (R\$171 million of which was U.S. dollar-denominated) and R\$9,087 million was denominated in *reais*. See Note 14 to our consolidated financial statements.

Our financial obligations are usually guaranteed by CEMIG, as the holding company of our group and/or by promissory notes issued in connection to such financial obligations.

In 2009, we performed and executed the following financial agreements and issuances:

- *Commercial Papers issued by Cemig Generation and Transmission.* On October 30, 2009, we performed our third issuance of commercial papers in the Brazilian market, through our subsidiary Cemig Generation and Transmission, in the amount of R\$2.7 billion, with interest payable at 113% of the Taxa DI (Depósito Interfinanceiro), and due within 180 days from the commercial papers subscription. Such issuance was guaranteed by Companhia Energética de Minas Gerais - CEMIG. The commercial papers have been redeemed in advance by Cemig Generation and Transmission, on March 10, 2010.
- *Loan agreements with BNDES executed by Cemig Generation and Transmission.* On March 9, 2009, our subsidiary Cemig Generation and Transmission executed a loan agreement with BNDES in the total amount of R\$122 million, with the purpose of developing the Baguari power plant, with interest payable at TJLP rate plus 2.34%. Its maturity date is July 15, 2026. Companhia Energética de Minas Gerais - CEMIG is the guarantor and responsible for the payment of such loan agreement. As of December 31, 2009, the outstanding debt is R\$124 million.
- *Loan agreements with Banco do Brasil S.A. executed by Cemig Generation and Transmission.* Cemig Generation and Transmission, with the purpose of rolling over existing debt, executed three loan agreements with Banco do Brasil S.A., in the amount of R\$57.3 million (on October 22, 2009), R\$152.5 million (on October 26, 2009) and R\$428.4 million (on October 30, 2009), with maturity dates falling on October 22, October 26 and October 30, 2012, respectively. These loan agreements bear interest of 110% of the CDI rate per annum and are guaranteed by CEMIG. The outstanding debt on December 31, 2009, was R\$ 57.3 million, R\$155.1 million and R\$435.0 million, respectively.

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- *Loan agreements with Banco do Brasil S.A. executed by CEMIG Distribution.* In the period between October and December 2009, Cemig Distribution, with the purpose of rolling over existing debt, executed eight loan agreements with Banco do Brasil S.A., in the total amount of R\$90.6 million, with a maturity date in 2012. These loan agreements bear interest of 110% of the CDI rate per annum and are guaranteed by CEMIG. The total amount of outstanding debt under these loan agreements on December 31, 2009 was R\$ 91.4 million.

We are subject to financial covenants contained in some of our debt agreements that require us to maintain certain financial ratios. These ratios are computed based on our financial statements prepared in accordance with accounting practices adopted in Brazil. These and other covenants could limit our ability to support our liquidity and capital requirements. As of December 31, 2009, we have been in non-compliance with some financial covenants provided in some of our debt agreements. In regard to such non-compliance, we have obtained waivers from the respective creditors that they will not exercise their rights to demand immediate payment of the total amount due of the agreements until January 1, 2011. See Item 13. Defaults, Dividend Arrearages and Delinquencies.

Given the current portion of our financings in the amount of R\$3,913 million due in 2010, we need funds in the short term to pay and refinance these obligations. Notwithstanding the fact that we have already rolled over part of these obligations, through the issuance of R\$2,700 million in long-term notes, we will still need funds in the short term to pay or refinance the remainder of these obligations.

As a state-controlled company, we are subject to restrictions under current financing laws and regulations in Brazil on our ability to obtain financing in certain situations. For example, we must obtain approval from the Brazilian Ministry of Finance and the Central Bank prior to certain international financial transactions and such approval is typically granted only if the purpose of the transaction is to finance the import of goods or to roll over our external debt. In addition, financial institutions in Brazil are subject to risk exposure restrictions with regard to state governments, governmental agencies and state-controlled companies such as us. The restrictions mentioned in this paragraph have not prevented us from obtaining financing, although there is no assurance that our ability to obtain financing will not be hindered in the future. See Item 3. Key Information Risk Factors Risks Relating to CEMIG We are subject to rules and limits applied to levels of public sector borrowing and to restrictions on the use of certain funds we raise, which could prevent us from obtaining financing.

We currently plan to make capital expenditures related to our property, plant, and equipment of approximately R\$1,401 million in 2010. We disbursed a total of R\$117 million under our capital expenditure program in the first quarter of 2010 and have commitments to fund substantially all of the remaining R\$1,284 million. The principal uses of these capital expenditures are expected to be for expansion of our distribution infrastructure. We also have committed R\$132 million to announced investments in affiliates in 2010. In 2009, we funded our capital expenditures and investments in affiliates and met our liquidity requirements through a combination of cash flow from operations and financings. We expect that we will fund our proposed capital expenditures, investments in affiliates, and acquisitions and meet our other liquidity requirements in 2010 through a combination of cash flow from operations and financings. Because we rely primarily on cash generated from operations to fund our liquidity and capital requirements, factors that cause our revenues and net income to increase or decrease could have a corresponding effect on our access to sources of liquidity.

Over the long term, we anticipate that it will be necessary to make significant capital expenditures in connection with the maintenance and upgrading of our generation, transmission and distribution facilities, and we expect to employ a variety of liquidity sources, such as cash flow from operations and financings, in connection with such requirements. See Item 3. Key Information Risk Factors for a discussion of certain matters that might adversely affect our liquidity position.

Research and Development

We are engaged in projects that explore technological advances not only in electric power systems but in all energy-related fields such as the development of the use of alternative energy sources, environmental control and power system performance, and safety optimization.

In 2009, we spent R\$10.9 million for R&D. Nevertheless, R\$58.6 million has been transferred to the Fundo Nacional de Desenvolvimento Científico e Tecnológico, or FNDCT, a federal research and development fund; and R\$29.3 million has been transferred to Empresa de Pesquisa Energética, or EPE (the federal power planning company). During the years ended December 31, 2009, 2008 and 2007, we spent an aggregate of R\$28.3 million, on research and development projects, and we transferred an aggregate of approximately R\$100.9 million to FNDCT during that time. We expect to spend a total of approximately R\$23.3 million on research and development in 2010. We conduct these efforts in accordance with Federal law, which requires Brazilian power utilities to spend at least 1% of their net revenue on research and development projects and energy efficiency programs (including transfers to FNDCT and EPE), as well as in accordance with our strategic corporate plans.

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In accordance with ANEEL instructions, we recorded a liability in 2009 for future expenditures on research and development programs and energy efficiency programs in the amount of R\$308.8 million relating to amounts that had already been included in the determination of our tariffs in 2009.

We have dedicated a substantial portion of our research and development activities to the development of the use of alternative energy sources, including wind, solar and biomass power generation.

In 2009, the Strategic Technology Management Center, CGET, an independent nonprofit entity whose partners are subsidiaries of CEMIG, executed about 15 scientific and technological agreements with universities, research centers and the equipment industry, to support the implementation of our research and development projects.

Trends

The purchase of energy from the Itaipu Power Plant constituted approximately 32% of the captive load of Cemig Distribution in 2009. To meet the 68% remaining energy needs of Cemig Distribution in 2009, we bought energy through our bilateral contracts (6%) and through contracts in the ACR (57%), received energy from the Proinfa program (2%), and bought from the spot market on CCEE. For more details about the energy purchased from Cemig Distribution in the ACR, see Item 4. Information on the Company The Brazilian Power Industry The Regulated Market (the ACR or the Pool).

As a public service utility, we are subject to regulations issued by the Federal Government as described in Item 4. Information on the Company The Brazilian Power Industry. Therefore, any change in the regulatory framework may affect us significantly either with respect to our revenue if the change relates to prices or with respect to our operating expenses if the change relates to costs incurred to provide service to consumers.

We do not anticipate any significant change in revenues with respect to the transmission and distribution businesses since the regulation in place meets the plans of the Federal Government administration.

The rate readjustment was applied differently to different client categories with industrial clients having higher readjustments than residential clients. For more information, see Item 4. Information on the Company Brazil's Energy Market Rates and Item 4. Information on the Company The Brazilian Power Industry Rates for the Use of the Distribution and Transmission Systems. This difference in application may have an impact on sales volume growth in the future since large industrial clients tend to develop co-generation projects to supply energy to themselves at a lower cost. We are taking steps to mitigate this impact through the connection of new clients of different categories as well as clients based in other states. In the coming years, we expect electricity consumption to grow toward the pre-rationing level based on an assumption that economic activity in Brazil will continue to grow. However, there can be no assurance that this will occur.

We expect that our Parcel A costs will increase at a rate well above inflation, which will require further rate increases. We expect our Parcel B costs to rise more or less at the rate of inflation since most of these cost items are adjusted for inflation according to contractual terms. We have

taken measures to cut operating costs so as to meet benchmarks proposed by ANEEL in the periodic rate review process.

With respect to expansion, we believe that the extension of electricity services to all potential clients represents a significant trend in our industry. Utilities are currently required to provide service to all potential clients according to a schedule established by ANEEL. Pursuant to Federal Law No. 10,438 of April 26, 2002, as amended, and the relevant ANEEL resolution, financing for this extension of electricity services is to come from the funds of the Energy Development Account (*Conta de Desenvolvimento Energético*), or CDE, and the Global Reversion Fund (*Reserva Global de Reversão*), or RGR. According to the Light for All (*Luz para Todos*) Program, launched by the MME and Eletrobras to promote extension of electricity services in rural areas, in its second and third phases, 26.5% of the necessary funds will come from the CDE, 22.5% from the RGR, 18.0% from the State Government and the remaining 33.0% from CEMIG. For further discussion of the Light for All program, see Item 4. Information on the Company Distribution and Purchase of Electric Power Expansion of Distribution Capacity.

An important project that CEMIG invests in is the Minas PCH Program. This project aims to build dozens of Small Hydroelectric Power Plants in the State of Minas Gerais, and will guarantee a diversified and higher energy supply for the growth of the regional economy. In 2008, the first plant made possible by the program, PCH Cachoeirão, came into operation which has an installed capacity of 27 MW. In August 2010, PCH Pipoca, which has an installed capacity of 20 MW, is expected to begin operation. In addition, on July 18, 2007, four other hydroelectric plants with installed capacity of 44 MW were approved by the Board of Directors of CEMIG to commence works but they are currently awaiting financing from BNDES and the signing of both the energy sale contracts and the Engineering and Procurement Contract.

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Another highlight in new investment in distribution is the *Cresce Minas* program. This program ran from 2006 to December 2011 and provided infrastructure and improvements to the electricity distribution system throughout Minas Gerais to improve the quality of electricity supply and adapt it to the new conditions of the market.

In relation to the energy supply, under normal climate conditions, we expect the current capacity and favorable reservoir levels to prevail in the following years. . Although there was a reduction in the growth rate of the electricity market during the years 2008 and 2009, due to the world financial crisis, the present installed capacity and the capacity projected for the next years are expected to fully satisfy the projected levels of consumption. Also, the government has been successful in the auctions it has held for major hydroelectric projects, such as the Jirau and Santo Antônio plants on the Madeira river, and the Belo Monte plant on the Xingu river.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

We have outstanding contractual obligations and commitments which include principal debt payment provisions, the obligation to purchase electricity for resale from Itaipu, the obligation to transfer and transport electric power from Itaipu as well as construction commitments. The following table provides information, as of December 31, 2009, about our contractual obligations and commitments in millions of *reais*.

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 and beyond | Total |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|----------------|
| Long-Term debt (1) | 3,913 | 1,119 | 1,273 | 1,109 | 908 | 424 | 531 | 9,277 |
| Derivative financial instruments (swaps) | 51 | 11 | 11 | 5 | | | | 78 |
| Purchase of Electricity from Itaipu (2) | 899 | 842 | 863 | 897 | 925 | 722 | 18,761 | 23,909 |
| Transportation of Electric Power from Itaipu (2) | 67 | 70 | 71 | 74 | 54 | 47 | 2,148 | 2,531 |
| Pension Plan Debt Forluz Luz para todos (Light for All) Program | 82 | 70 | 66 | 43 | 46 | 48 | 549 | 904 |
| Regulatory Investments | 499 | | | | | | | 499 |
| Electricity Power Purchase (3) | 631 | 631 | 631 | 157 | | | | 2,050 |
| Total | 2,525 | 3,003 | 3,969 | 4,605 | 4,318 | 4,181 | 112,344 | 134,945 |
| | 8,667 | 5,746 | 6,884 | 6,890 | 6,251 | 5,422 | 134,333 | 172,143 |

(1) In the event of our non-compliance with certain covenants in our loan agreements, the total principal, future interest and any penalties due under these agreements may become immediately due and payable. See Item 13. Defaults, Dividend Arrearages and Delinquencies. These amounts do not include interest payments on debt or payments under interest rate swap agreements. The Company expects to pay approximately R\$590 million in interest payments on debt in 2010. The Company does not believe projections of interest payments and payments under interest rate swap agreements would be meaningful. Through June 2010 the Company has already made R\$2,853 million of debt payments.

(2) Contract with Furnas, denominated in U.S. dollars, to supply electric power purchased from Itaipu until May 2013. Amounts are calculated based on the U.S. dollar exchange rate as of December 31, 2009.

(3) It includes spot market, purchases through auctions and bilateral agreements.

Item 6. Directors, Senior Management and Employees

Directors and Senior Management

CEMIG is managed by our Board of Directors, which has 14 members, each with his or her respective substitute member, and by our Executive Board, which consists of nine Chief Officers. Since it is the majority stockholder, the government of the State of Minas Gerais has the right to elect the majority of our Board of Directors and can thus control the decisions of the Board's meetings. Every holder of CEMIG common shares has the right to vote in an election for members of our Board of Directors. Under the Brazilian Corporate Law, any stockholder holding at least 5% of our common shares in circulation may request the adoption of a multiple vote procedure, which confers upon each share a number of votes equal to the present number of members of our Board of Directors and gives the stockholder the right to accumulate his or her votes in one sole candidate, or distribute them among several.

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Under the Brazilian Corporate Law, holders of preferred shares representing at least 10% of our voting capital, and also holders of common shares representing at least 15% of our registered capital (other than the controlling stockholder) have the right to appoint a member of the Board of Directors and his or her respective substitute member. If none of the holders of common shares or preferred shares qualifies under the minimum limits specified above, shareholders representing, in the aggregate, a minimum of 10% of our registered capital may combine their holdings to appoint a member of the Board of Directors, and his or her respective substitute member.

CEMIG and its wholly-owned subsidiaries Cemig Generation and Transmission and Cemig Distribution all have the same Board of Directors, Fiscal Council and Executive Board, except that, in relation to the wholly-owned subsidiaries Executive Board, only Cemig Distribution has a Chief Distribution Sales Officer, and only Cemig Generation and Transmission has a Chief Generation and Transmission Officer.

Board of Directors

Our Board of Directors normally meets once every two months. Its responsibilities include setting the corporate strategy, general orientation of our businesses and election, dismissal and monitoring of our Chief Officers.

Each member of the Board of Directors has a substitute member, elected in a General Meeting of Stockholders in the same manner as the member. The substitute members act as replacements for their respective members whenever the members are not available to carry out their normal functions as members, or when there is a vacancy on the Board of Directors, until the appointment of a replacement member to fill the vacancy. No member of the Board of Directors, and no substitute member, has any employment contract with our Company or any subsidiary that provides for any benefit in the event of rescission of the employment contract.

The members of our Board of Directors are elected for a period of three years, and may be re-elected. The complete body of members is elected every three years. Our Board of Directors is made up of 14 members, of whom eight are elected by the government of the State of Minas Gerais, five by Southern Electric Brasil Participações Ltda. (Southern), and one by the holders of preferred shares. The periods of office of the present members of our Board of Directors expire in April 2012. The names, positions and dates of original appointment of our present board members and their respective substitute members are as follows:

| Name | Position | Date of original appointment |
|------------------------------------|-------------------|-------------------------------------|
| Sérgio Alair Barroso | Chairman | March 5, 2009 |
| Paulo Sérgio Machado Ribeiro | Substitute Member | April 25, 2008 |
| Djalma Bastos de Moraes | Vice-Chairman | January 14, 1999 |
| Lauro Sérgio Vasconcelos David | Substitute Member | April 28, 2006 |
| Arcângelo Eustáquio Torres Queiroz | Board Member | December 10, 2009 |
| Franklin Moreira Gonçalves | Substitute Member | February 27, 2003 |
| Antônio Adriano Silva | Board Member | January 14, 1999 |
| Marco Antonio Rodrigues da Cunha | Substitute Member | February 27, 2003 |
| Aécio Ferreira da Cunha | Board Member | April 29, 2010 |
| Adriano Magalhães Chaves | Substitute Member | December 10, 2009 |
| Francelino Pereira dos Santos | Board Member | February 27, 2003 |
| Luiz Antônio Athayde Vasconcelos | Substitute Member | February 27, 2003 |
| Maria Estela Kubitschek Lopes | Board Member | February 27, 2003 |

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| | | |
|---|-------------------|-------------------|
| Fernando Henrique Schüffner Neto | Substitute Member | June 22, 2007 |
| João Camilo Penna | Board Member | April 25, 2008 |
| Guilherme Horta Gonçalves Junior | Substitute Member | February 27, 2003 |
| Britaldo Pedrosa Soares (1) | Board Member | April 25, 2008 |
| Jeffery Atwood Safford (1) | Substitute Member | April 25, 2008 |
| Evandro Veiga Negrão de Lima (1) | Board Member | April 28, 2006 |
| Maria Amália Delfim de Melo Coutrim (1) | Substitute Member | April 25, 2008 |
| Roberto Pinto Ferreira Mameri Abdenur (1) | Board Member | April 25, 2008 |
| Clarissa Della Nina Sadock Accorsi (1) | Substitute Member | December 10, 2009 |
| André Araújo Filho (1) | Board Member | April 25, 2008 |
| Andréa Leandro Silva (1) | Substitute Member | May 7, 2004 |
| Thomas Anthony Tribone (1) | Board Member | July 24, 2008 |
| José Castelo Branco da Cruz (1) | Substitute Member | April 25, 2008 |
| Guy Maria Villela Paschoal (2) | Board Member | April 25, 2008 |
| Cezar Manoel de Medeiros (2) | Substitute Member | April 29, 2009 |

(1) Elected by Southern.

(2) Elected by the preferred shareholders.

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Below is some brief biographical information about each member of the Board of Directors:

Aécio Ferreira da Cunha - Mr. da Cunha serves on the Board of Directors of the state-controlled generation company, Furnas, which he joined in 1993. He was Chairman of the BNDES in 1993, an elected state congressman from 1955 to 1962, a federal congressman for eight terms (1963-1987), and Cabinet Secretary at the Minas Gerais Department of Trade and Industry. Although he was appointed to the Federal Audit Board in 1988, he decided not to accept the post. He has a law degree from the Universidade do Brasil of Rio de Janeiro (1951), and a diploma from the Escola Superior de Guerra (1973). He was a member of CEMIG's Board of Directors from 2003 to 2008. He currently has farming interests in the North of Minas Gerais.

André Araújo Filho - Mr. Araújo received a law degree from Mackenzie Law Faculty in 1968, with postgraduation in labor law from the Getúlio Vargas Foundation. He studied in the Global Leadership course at the International Strategic Studies Center at Georgetown University, Washington DC, and has published 3 books: *A Escola do Rio - Fundamentos Políticos da Nova Economia Brasileira*, published by Editora Alfa Omega, in 1998; *Mercados Soberanos - Globalização, Poder e Nação*, published by Editora Alfa Omega, in 1999; and *Moeda e Prosperidade - O Impasse do Crescimento na Política de Estabilização*, published by Editora Top Books, in 2005. He was Treasury Director of The Brazilian Household Appliances Industry Association, Abinee, for three terms of office, from 1974 to 1983, and First Treasurer of the National Household Appliances Manufacturers Association, Sinaees, from 1974 to 1985, also for three terms of office. He was Chairman of Emplasa, Empresa de Planejamento Metropolitano da Grande São Paulo S.A., in 1994; Financial Director of Prodam - Companhia de Processamento de Dados do Município de São Paulo, in 2000; and from 1972 to 1983 he was Financial Director and CEO of Búfalo Motores S.A.

Antônio Adriano Silva - Mr. Silva holds a business administration degree with a specialization in marketing. He has worked for several private entities, including Mesbla S.A., Empresa Brasileira de Varejo S.A. - Embrava, Agência Jornalística Imagem, Associação Comercial de Minas, Asa Criação de Publicidade, and Coteminas.

Arcângelo Eustáquio Torres Queiroz - Mr. Queiroz has been with CEMIG since 1988, and is a Visual Communication Specialist and Technical Administrator. He is currently Director of Sindieletrô - the Minas Gerais Electricity Industry Workers Union; a member of CEMIG's Integrated Health Administration Committee, Prosaúde, and a member of CEMIG's Careers and Remuneration Committee. He graduated with a degree in history from UNIBH University, Minas Gerais in 1992.

Britaldo Pedrosa Soares - Mr. Soares earned his degree in metallurgical engineering from Minas Gerais Federal University, with postgraduate studies in engineering economics from the Dom Cabral Foundation, and an extension course in management and leadership from Darden School of Business of the University of Virginia. He began his career with Citibank/Citigroup in 1980, where he was Corporate Bank and International Corporate Finance Vice-President from 1988 to 1992. From 1992 to 1998 he was Financial Director of the pulp area of the Caemi/Jari Companies, and CEO of Jari Celulose. He was Vice-President for Finance of Enron South America, and Prisma Energy, the holding company of the electricity distributor Elektro, from February 1999 to August 2005. At Elektro he was Finance and Investor Relations Manager from February 1999 to December 2003. In September 2005 he became Vice-President for Finance and Investor Relations of the companies of the AES Group in Brazil (Eletropaulo, AES Tietê, AES Uruguaiana, AES Sul and others). Since July 2007 he has been CEO of the AES Group of companies in Brazil.

Djalma Bastos de Moraes - Mr. Moraes holds a bachelor's degree in engineering from the Military Institute of Engineering and has completed additional post-graduate studies in telephony and computers at the same institute. Since January 1999 he has been our Chief Executive Officer,

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and since July 2002 he has been the Chief Executive Officer of Empresa de Infovias S.A. From January 1999 to December 2004 he was the Chief Executive Officer of Gasmig. From May 1999 to August 2001 he was the Chief Executive Officer of Empresa de Infovias S.A. From 1995 to 1998, he was Vice-President of Petrobrás Distribuidora S.A., the Brazilian oil company. From 1993 to 1994, Mr. Morais served as Brazilian Minister of Communications. He has also held various other positions, such as chief executive officer of Telecomunicações de Minas Gerais S.A. Telemig; manager of Telecomunicações Brasileiras S.A. Telebrás; chief operating officer of Telecomunicações de Mato Grosso Telemat; chief operating officer of Telecomunicações do Amazonas Telemazon; and manager of Telefônica Municipal S.A. Telemusa.

Evandro Veiga Negrão de Lima - Mr. Negrão de Lima graduated with a degree in medicine with a specialization in psychiatry from the Minas Gerais Federal University in 1964, where, after hospital and university experience in Colorado, USA, he later became a lecturer and subsequently Monitor in Forensic Medicine. He was a clinical psychiatrist for the private social security institute of the employees of Minas Gerais state, retiring as head of medical services for the interior of the state. He has been Director of the Minas Gerais Commercial Association, Vice-president of the Real Estate Company Managers Club, Vice-President of América Football Club, director of the two steel trading companies, Cobraço and Cobrafer, and a licensed aircraft pilot since 1968. He is

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currently chairman of the planning and engineering company Sancruza, president of the Pampulha yacht club in Belo Horizonte, and chairman of the construction and development company, NL, and two real estate management companies.

Francelino Pereira dos Santos - Mr. Santos earned a law degree from the Law School of the Federal University of Minas Gerais in 1949. Mr. Santos was a Minas Gerais state senator from 1995 to 2002 and the Governor of Minas Gerais from 1979 to 1983. He also was a congressional representative for four successive terms from 1963 to 1979 and alderman for the city of Belo Horizonte from 1951 to 1954. From 1961 to 1966 he was Chief of Cabinet of the Minas Gerais State Secretary of Internal Affairs and Justice, Chief of the Minas Gerais State General Management Department and Chief Counselor for Municipalities Affairs of the Cabinet of the Governor. From 1985 to 1990, he was vice-president of management of Banco do Brasil S.A. and the chief executive officer of Acesita from October 1983 to August 1984. Mr. Santos was also a professor and director of the Municipal Accounting High School in Belo Horizonte from 1955 to 1959.

Guy Maria Villela Paschoal - Mr. Villela Paschoal is a Brazilian engineer, and has a degree in mechanical and electrical engineering from the Federal University of Minas Gerais (UFMG). He worked at CEMIG for 28 years, where he served as Chairman of the Board.

João Camilo Penna - Mr. Penna earned his degree in engineering in 1948 from Minas Gerais Federal University (UFMG). He was a works engineer with CVRD from January 1949 to April 1951; Planning and Works Officer at CEMIG from May 1951 to March 1961; and Technical Director of CEMIG from March 1961 to March 1967. He was Chairman of CEMIG from March 1967 to March 1975. He served as Finance Secretary of Minas Gerais State in the governments of Aureliano Chaves and Oznam Coelho from March 1975 to March 1979, as Brazil's Trade and Industry Minister in the Figueiredo government from March 1979 to August 1984, and was Chairman of Furnas Centrais Elétricas from May 1985 to August 1989. During these same periods he was interim Administration Secretary of Minas Gerais State, a Member of the National Monetary Council (CMN), member of the Board of Directors of Eletrobras, Vice-Chairman of the Brazilian Technical Standards Association, Director of the Large Dams Committee, and of the Brazilian Group for the World Energy Conference. From 1990 he was a consultant and member of boards of organizations such as Mannesmann, the Dom Cabral Foundation, Copersucar, Companhia Siderúrgica do Pará, Companhia Força e Luz Cataguazes Leopoldina, Biobrás, Copasa, and the Minas Gerais Industries Federation (Fiemg). From 1984 to 1992 he was a member of the Board of Directors of Itaipu Binacional, and Chairman of the Board of the Horizontes Institute at Atech Sivam. At Coopers and Lybrand, he was president of the Supervision Committee of the Brazilian Industry Competitiveness Study. In 2002 he was Consultant in the preparation of the study Minas Gerais in the 21st Century, an initiative of the Minas Gerais Development Bank (BDMG); and President of the organization Economy and Energy E&E. He was a member of the President of the Republic's Ethics Committee, from September 2000 to March 2005, and from April 2004 to April 2005 was a member of the Public Ethics Committee of the Minas Gerais State Government.

Maria Estela Kubitschek Lopes - Mrs. Lopes holds a degree in architecture and is an interior designer and entrepreneur. She is a managing partner of DF Consultores Ltda. and of Santa Júlia Importação, Exportação e Participações. Mrs. Lopes is also the adviser to the president of the Municipal Theater Foundation of the City of Rio de Janeiro, to the president of the Friends of the State of Rio de Janeiro AME-RIO and to the president of the board of Casa Santa Iñez (a philanthropic association responsible for the nourishment and education of children and aid to low-income families in the Rocinha neighborhood in Rio de Janeiro). She was one of the founders of Memorial JK, an organization founded in the memory of Juscelino Kubitschek de Oliveira (former President of Brazil), and served as its vice-president from September 1981 to May 2000 and as acting president since October 2000. Mrs. Lopes has also served as president of the council of the Cultural Institute Cesgranrio, vice-president of the council of the Women's Bank, president of the Beneficent Institutions of the State of Rio de Janeiro and a member of the council of Casa das Palmeiras, a cultural institution. Mrs. Lopes has received several cultural and social merit awards.

Roberto Pinto Ferreira Mameri Abdenur - Mr. Abdenur has a law degree from the PUC University of Rio de Janeiro and a degree in economics from the London School of Economics. From 1964 to 1983 he was in the Diplomatic Service, as Third, Second, and First Secretary, Counselor, Minister and Ambassador. At the Foreign Relations Ministry, he worked in the Communications and Archives Division from 1964 to 1965, the

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Commercial Policy Division from 1966 to 1967, as Interim Head of the Technical Analysis and Planning Sector in 1968, Official of the Minister's Office in 1969, Assistant to the Secretary-General from 1975 to 1978, Coordinator for Economic and Trade Affairs to the Office of the Foreign Relations Minister from 1979 to 1984 and Secretary General for Foreign relations from 1993 to 1995. He has been Assistant Consul-General in London from 1969 to 1973, First Secretary in the Brazilian Embassy in Washington from 1973 to 1975; and was Brazilian Ambassador to Ecuador from 1985 to 1988, to China from 1989 to 1993, to Germany from 1995 to 2002, to Austria from 2002 to 2004, and to the USA from 2004 to 2007. Since 2007 he has acted as consultant on international political and economic subjects related to Brazil.

Sergio Alair Barroso - Mr. Barroso has a degree in economics from São Lucas University (São Paulo); a master's degree in international economics from the University of Boston (USA); and specializations in business administration at the University of Michigan (USA), and in management of executives from Columbia University (USA) and the Getúlio Vargas Foundation (São Paulo).

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He is a former chairman of the Board of Directors of Fosfertil, Ultrafertil and Fertifos. He is currently the Economic Development Secretary of the State of Minas Gerais, and Chairman of the Board of Directors of CEMIG.

Thomas Anthony Tribone Mr. Tribone is the founder and currently CEO of the Guggenheim Global Infrastructure Company. As former President of AES Americas Corporation, he has extensive experience in operations and transactions in the global electricity and infrastructure sectors. He has also been a member of the management of Atlantic Richfield Company. As a recognized leader in the energy industry, he has testified before the US Congress on energy matters and his ideas have been written about in books and articles in the US and other countries. Mr. Tribone is a US citizen, with domicile in the US, and registered in Brazil. He has a degree in chemical engineering from Case Western Reserve University, and an MBA degree and a law degree from Duquesne University.

Board of Executive Officers

Our Executive Board is responsible for putting into effect the decisions of our Board of Directors and for day-to-day management. The Members of the Executive Board, the Chief Officers, have individual responsibilities established in the by-laws and hold their positions for a period of office of three years. The period of office of the present Chief Officers expires in April 2012. The Chief Officers are elected by our Board of Directors. Usually, ordinary meetings are held at least twice per month, with extraordinary meetings held whenever called by the Chief Executive Officer, or CEO, or by two Chief Officers other than the CEO.

The names, positions and dates of initial appointment of our executive officers are as follows:

| Name | Position | Date of original appointment |
|--------------------------------------|---|-------------------------------------|
| Djalma Bastos de Moraes | Chief Executive Officer (CEO) | January 14, 1999 |
| Arlindo Porto Neto | Deputy CEO | January 20, 2009 |
| José Carlos de Mattos | Chief New Business Development Officer | January 9, 2007 |
| Luiz Henrique de Castro Carvalho | Chief Generation and Transmission Officer | August 18, 2008 |
| Fernando Henrique Schüffner Neto | Chief Distribution and Sales Officer | August 18, 2008 |
| Luiz Fernando Rolla | Chief Officer for Finance, Investor Relations and Control of Holdings | January 9, 2007 |
| Marco Antonio Rodrigues da Cunha | Chief Corporate Management Officer | January 9, 2007 |
| Bernardo Afonso Salomão de Alvarenga | Chief Trading Officer | April 27, 2007 |
| Márcio Augusto Vasconcelos Nunes | Chief Officer for the Gas Division | September 24, 2009 |

Below is brief biographical information about each member of the Executive Board.

Arlindo Porto Neto - Mr. Porto Neto has a degree in business administration and accounting from the Federal University of Uberlândia. Since 2004 he has been Vice-President of the Minas Gerais Development Company (Codemig). He served as Senator for the State of Minas Gerais from 1995 to 2003, and was Brazil's Minister of Agriculture and Supply from 1996 to 1998. From 1991 to 1994 he was Deputy Governor of the State of Minas Gerais. From 1983 to 1988 he was Mayor of Patos de Minas.

Bernardo Afonso Salomão de Alvarenga - Mr. Alvarenga earned a degree in electrical engineering from Minas Gerais Federal University in 1978, and an MBA from the Getúlio Vargas Foundation in 2001. He joined CEMIG in 1980, and worked in operational and pre-operational sales, sales to transmission consumers, and large client operational sales, before becoming our Sales Superintendent for Large Clients from 1998 to 2001, and for corporate clients from 2001 to 2005. From March 2006 to April 2007, he was our Superintendent for Wholesale Electricity Purchases and Sales, and in April 2007 he was appointed our Chief Commercial Officer. Mr. Alvarenga has been involved in several strategic projects at CEMIG, including the pioneering system for differentiated tariffs based on the season and time of day, from 1980 to 1982. His renegotiations in 1998 with industrial clients in default resulted in defaults being brought to near-zero, improving CEMIG's financial position and resulting in the acquisition of several small hydroelectric plants and one thermal plant.

Djalma Bastos de Morais - For biographical information regarding Mr. Morais, see Board of Directors.

Fernando Henrique Schuffner Neto - Mr. Schuffner earned a degree in electrical engineering from PUC University of Minas Gerais in 1982, a master's degree from Unicamp in 1984, and an MBA from Ibmecc in 2000. After working in university research, he joined CEMIG in 1985, working as a regional manager and administrator before becoming Superintendent for Coordination of Planning and Management, successively, for Distribution, Distribution Expansion, and Distribution Market Expansion. He then became CEMIG's Executive Coordination Superintendent of the Light for All Program. He has lectured at universities, and has

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published many scientific articles from 1983 to 2005, ranging from work on topologies of commutating circuits (1983) to joint authorship of Fuzzy Preference Relations and Multiobjective Decision Making presented to the Fourth IEEE International Workshop on Soft Computing as Transdisciplinary Science and Technology, in Muroran, Japan, in May 2005. His work was presented to international congresses including control of induction motors. He has taken courses including the Amana Key APG management course in Sao Paulo in 2004. He was appointed Chief Energy Generation and Transmission Officer of CEMIG in January 2007.

José Carlos de Mattos - Mr. Mattos received a degree in literature from Uni-BH (Belo Horizonte Central University) in 1972. He is currently the Chief Executive Officer of Gasmig. From 2004 to 2007 he was Director-President of Previminas, the Minas Gerais Social Security Foundation. In 2003 and 2004 he was the financial director of Codemig, the Minas Gerais Development Company. From 1983 to 1992 he was Regional Superintendent of the Federal Savings Bank (Caixa Econômica Federal) in the states of São Paulo, Rio de Janeiro and Minas Gerais, and was also Financial Director of the Federal Savings Bank from 1992 to 1994. From 1992 to 1994 he was also the Director of BIAPE the Inter-American Savings and Loan Bank. From 1995 to 1996, he was Vice-President of Bemge the State Bank of Minas Gerais. He was appointed Chief Planning, Projects and Construction Officer of CEMIG in January 2007.

Luiz Fernando Rolla - Mr. Rolla joined CEMIG in 1974. Mr. Rolla earned a degree in electrical engineering from the Federal University of Minas Gerais in 1974 and obtained several specialization courses. He became CEMIG's Investor Relations Manager in 1986, and was appointed Chief Financial and Investor Relations Officer in January 2007. As CEMIG's Investor Relations Manager, Mr. Rolla was responsible for the formulation and implementation of CEMIG's investor relations strategy beginning in 1986, including the structuring of the Level I and II ADR programs in 1993 and 2001, share sale transactions, prospectuses, investor presentations, roadshows, CVM registrations, detailed corporate governance matters, stockholders' meetings, shareholder services, the Annual Report, our website, earnings releases and conference calls, market analyst meetings, and presentations at many of the most important emerging markets conferences in the last 15 years. In his 32 years with the company he has also been involved in other responsibilities including coordination of long-term planning, structured company-wide budget control and cost analysis, project finance transactions, and negotiation of important debt rollover contracts and issues. Recognition of Mr. Rolla's wide experience and present outstanding status in Brazilian investor relations includes Apimec's Best IR Professional in 1999 and 2005; Best Brazilian IRO from IR Magazine in 2006; Honorable Mention in IR Magazine's Best Latin American IRO in 2004, naming of CEMIG as Best Listed Company by Apimec in 2006; recognition by Abrasca for Best Annual Report in 2005; and Best Presentation of 2006 by the Apimec organizations of both São Paulo and Rio Grande do Sul.

Luiz Henrique de Castro Carvalho - Mr. Carvalho is CEMIG's Chief Generation and Transmission Officer. He earned a degree in electrical engineering from Minas Gerais Federal University (UFMG) in July 1982, and a postgraduate degree in systems analysis, with specialization in mainframe support, from that university in July 1983. In February 2000 he also concluded an international executive MBA in business administration and information technology management from the Getúlio Vargas Foundation. His first professional experience was in the Research and Development Centre (CPQD) of Telebrás, as an electrical engineer, from October 1983 to March 1984. He began his career at CEMIG as a support analyst in the Software and Support Group in March 1984, and since then has been Joint Leader, Group Leader and Manager in the Personal IT Terminal Users Support Division, Assistant in the IT Support Department, Superintendent of Telecommunications and IT, Superintendent for Material, Logistics and Services, Superintendent of Material and Services, Advisor to the President of Gasmig, and Substitute Member of the Board of Directors of CEMIG. In addition to his responsibilities at CEMIG, he is a Director of Horizontes Energia S.A., a member of the board of directors of Central Termelétrica De Cogeração S.A., and a substitute member of the board of directors of CGET and Central Hidrelétrica Pai Joaquim S.A. He has also been Administrative Director of CEMIG Employees' Investment Club, from April 1999 to April 2003, Social Action Director in the Minas Gerais IT and Telecommunications Users' Association (Sucesu/MG) from 2000 to 2002, and CEO of the CEMIG Inter-Management Association from July 2005 to July 2007.

Márcio Augusto Vasconcelos Nunes - Mr. Nunes has a degree in civil engineering from PUC University (Pontifícia Universidade Católica) of Rio de Janeiro. After working at Light and Eletrobras, he was CEO of CERJ (Cia. de Eletricidade do Rio de Janeiro) in 1987 and 1988; a member of the Executive Board of Furnas from 2001 to 2003; and CEO of Copasa, from 2005 to 2009. He has also been Chairman of the board

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of directors of Copasa, Vice-Chairman of the board of directors of CERJ, a member of the Audit Board of Furnas, and a member of the board of directors of Cia. de Gás do Rio de Janeiro. He was appointed Chief Officer for the Gas Division of CEMIG and CEO of Gasmig in September 2009.

Marco Antonio Rodrigues da Cunha - Mr. Rodrigues da Cunha obtained a degree in civil engineering from Minas Gerais Federal University in 1978, with later specialization in structures and transportation, and in engineering valuation, accounting, and economics. He has subsequently gained numerous qualifications in quality management, finance, accounting and related subjects. Among university lecturing activities, has given a course in Creation of Companies and Business, at Una University, since 2001. He joined BDMG (the Minas Gerais State Development Bank) in 1978, working in assessment of public projects, including major infrastructure development projects. He served as President of the Employees Association from 1998 to 1990, and Manager of the Financial Division from 1988 to 1991. From 1988 to 1990 he was also President of the National Association of Official Banks Representative Associations. From 1991 to 1995 he was chairman of Minas Gerais Silos and Warehouses Company, the public-sector

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company coordinating the state's farming infrastructure facilities, and from 1995 to 1999 was Chairman of INDI – the Minas Gerais Development Institute – which provides support for numerous important industrial development projects in the state of Minas Gerais. During this time he negotiated international missions to Spain, France, Belgium, Holland, Canada, Argentina, Korea, Japan, and the USA to promote cooperation with Minas Gerais industry. He returned to the BDMG in 1999 to handle development planning, coordinating the state's economic and social development budgeting, and other important strategic studies. He was appointed Chief Corporate Management Officer of CEMIG in January 2007.

Compensation of Directors and Executive Officers

For the year ended December 31, 2009, the aggregate amount of compensation, including pension and other retirement benefits, authorized to be paid to all directors and executive officers was R\$7 million, in accordance with the Ordinary General Meeting of Stockholders held on April 29, 2009.

There is no contract between the Company or its wholly-owned subsidiaries, subsidiaries or affiliated companies and directors or board members of Cemig that provides any post-employment benefits, other than the Forluz complementary retirement plan applicable to the other employees, provided that the board member qualifies under the rules and regulations of Forluz.

Fiscal Council

Our Fiscal Council is required to meet once every quarter, but in practice it has been meeting once a month. Our Fiscal Council consists of three to five members and their respective alternates elected by our shareholders at the annual meeting for a term of one fiscal year. Holders of the preferred shares as a group are entitled to elect one member of the Fiscal Council and a corresponding alternate. Minority shareholders holding shares representing at least 10%, individually or in the aggregate, are entitled to elect one member of the Fiscal Council and a corresponding alternate. The primary responsibility of the Fiscal Council, which is independent from management and from the independent public accountants appointed by the Board of Directors, is to review our financial statements and report on them to our shareholders. The Fiscal Council is also entitled to give opinions on any proposals from our management to be submitted to the shareholders' meeting related to (i) changes in our share capital, (ii) issuances of debentures or rights offerings entitling the holder to subscribe for equity (bonus de subscrição), (iii) investment plans and capital expenditures budgets, (iv) distribution of dividends, (v) changes to our corporate form and (vi) corporate restructurings such as mergers, consolidations and spin-offs. The Fiscal Council also examines the activities of management and reports these activities to the shareholders.

The current members of the Fiscal Council, and their Substitute members, all of whose terms shall expire at the Ordinary General Meeting of Shareholders to be held in 2011, for the approval of the 2010 fiscal year financial statements are as follows:

| Name | Position | Date of initial appointment |
|--|-------------------|-----------------------------|
| Aristóteles Luiz Menezes Vasconcellos Drummond | Member | April 27, 1999 |
| Marcus Eolo de Lamounier Bicalho | Substitute Member | February 27, 2003 |

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| | | |
|--------------------------------------|-------------------|-------------------|
| Luiz Guarita Neto | Member | February 27, 2003 |
| Ari Barcelos da Silva | Substitute Member | April 29, 2005 |
| Thales de Souza Ramos Filho | Member | February 27, 2003 |
| Aliomar Silva Lima | Substitute Member | February 27, 2003 |
| Luiz Otávio Nunes West (1) | Member | April 27, 1999 |
| Leonardo Guimarães Pinto (1) | Substitute Member | April 26, 2007 |
| Vicente de Paulo Barros Pegoraro (2) | Member | April 29, 2009 |
| Newton de Moura (2) | Substitute Member | April 29, 2009 |

(1) Elected by Southern.

(2) Elected by the holders of the preferred shares.

Consumer Council

We have established a Consumer Council pursuant to Brazilian law, which is comprised of representatives of consumer groups and advocacy organizations, but not members of our Board of Directors. The Consumer Council advises us as to service and other concerns of our consumers.

Table of Contents**Audit Committee**

Our Fiscal Council acts as our audit committee for purposes of the Sarbanes-Oxley Act of 2002. Under Section 10A-3 of the SEC rules on Audit Committees of listed companies, non-U.S. issuers are permitted not to have a separate Audit Committee made up of independent members if there is a Fiscal Council established and chosen in accordance with the legal rules of its origin country, expressly requiring or allowing that such council follow certain obligations. Also in accordance with this exemption, a Fiscal Council may exercise the obligations and responsibilities of an Audit Committee of the United States up to the limit permitted by Brazilian Law. The financial experts of our Fiscal Council are Luiz Otávio Nunes West and Ari Barcelos da Silva.

Employees

As of December 31, 2009, we had 9,746 employees, of which 248 were at management level, and we had an average of 356 temporary employees. As of December 31, 2008, we had 10,422 employees, of which 265 were at management level, and we had an average of 353 temporary employees. As of December 31, 2007 we had 10,818 employees, of which 236 were at the management level, and we had an average of 225 temporary employees. This table shows the breakdown of our employees by type on those dates:

| | Number of Employees at | | |
|--|------------------------|-------------------|-------------------|
| | December 31, 2009 | December 31, 2008 | December 31, 2007 |
| Managers | 248 | 265 | 236 |
| Professional staff | 1,500 | 1,398 | 1,427 |
| Operational technical staff and office employees | 7,998 | 8,759 | 9,155 |
| Total | 9,746 | 10,422 | 10,818 |

In 2009, 2 employees were hired and 735 employees left the Company.

Unions

Once a year we hold collective negotiation meetings with the unions that represent our employees. The resulting contract remains in effect for the subsequent 12-month period beginning on November 1. About 16 years ago, CEMIG ceased to follow the previous market practice in Brazil of automatically adjusting salaries based on inflation.

The Collective Employment Agreement signed between the Company and the unions, which is the result of free negotiation between the parties, in accordance with current legislation, is renewed annually and includes benefits, duties and rights that govern employment relations in the Company.

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In November 2009, after broad discussion of all the terms and conditions with the unions that represent our employees, we executed two collective agreements: (i) an annual agreement on salaries, benefits, duties and rights for the period from November 1, 2009 to October 31, 2010, which established a salary increase of 4.88% for all salaries; and (ii) a specific agreement, in effect from November 20, 2009 to March 31, 2011, referring to the distribution of profits and results for 2009 and 2010, to be paid in 2010 and in 2011, respectively.

In regards to 2009, the collective agreement established an extraordinary distribution in the amount of twice the monthly remuneration of each employee. Regarding the profit sharing for 2010, the collective agreement established an extraordinary distribution in the amount of 0.7 remuneration of each employee in case of achievement of 50% of IGPRa.

IGPRa is an indicator used to mark a portion of CEMIG's employees' income that is paid in the form of profit sharing, as per the Specific Collective Agreement. It is based on the frequency rate of accidents with its own staff, the quality of customer service and cost reduction.

In December 2008 we completed the annual collective salary agreement for November 1, 2008 through October 31, 2009. It set an increase of 7.26% for all salaries, effective November 1, 2008. It also established an extraordinary distribution of funds under the profit sharing program in the amount of 4.67 times the monthly salary of each employee, which was paid in December 2008.

We have not had any significant labor strikes in the last six years. On November 13, 2009, 46% of the employees participated in a 24-hour interruption of services during the collective negotiations for 2009-10.

On November 20, 2008, 10% of the employees took part in an interruption of work during the collective negotiations for 2008/2009. In 2007, there were four interruptions of work during the negotiations for 2007/2008, as follows: for eight hours on

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October 24, 2007; for eight hours on October 31, 2007; for eight hours on November 1, 2007; and for eight hours on November 28, 2007.

Few employees took part in these interruptions, and they had no negative effect on the company.

We cannot foresee what effects, if any, future conflicts on labor law issues may have on our operational results or our financial situation.

Remuneration

In 2003, the Careers and Remuneration Plan was approved. The goal of this plan is to provide us with the remuneration tools necessary to maintain an equitable and competitive pay structure and establish criteria for promotions. The plan was implemented in January 2004 for professional staff, and in March 2004 for the administrative and operational employees. An internal committee, with representatives of both CEMIG and the labor unions, was created in connection with the plan.

Under a program referred to as the Anuênio, CEMIG provides its employees hired on or before October 31, 2005 with an annual 1% increase in monthly base salary for each year of employment with CEMIG, up to a limit of 35 years. Based on an agreement with our labor unions, on April 27, 2006, CEMIG offered each of its employees hired on or before October 31, 2005 an up-front payment in exchange for the relinquishment by the employee of his or her rights to the Anuênio. Under the terms of this offer, CEMIG pays the employee an amount equal to (i) an estimate of the future amounts to be paid to the employee under the Anuênio, but based on the number of years remaining for the employee to complete his or her contributions to the National Social Security Institute, or INSS, rather than the remaining years to reach up to the limit of 35 years under the Anuênio, (ii) multiplied by a 12% discount rate and (iii) reduced by the application of a variable reduction factor stipulated by the Company for each individual employee. The total amount paid to our employees as a result of this offer was approximately R\$178 million.

Over the last 4 years, we have been negotiating changes in our remuneration policies with our labor unions, aiming to integrate the processes of management of human resources to our business strategy as follows:

- The 2005/2006 collective labor agreement instituted the plan for an indemnity to replace future rights relating to the Anuênio, which 87% of our employees accepted; and established that employees hired on or after November 1, 2005 will no longer be entitled to the Anuênio.
- In 2007, the collective labor agreement with our labor unions established that employees hired on or after November 1, 2007 will not be entitled to the 16.67% special bonus previously applied to their base salary.
- The collective labor agreement signed in 2008 added flexibility to the clause that previously guaranteed a minimum headcount of 10,000 employees; now allowing this number to be as low as 9,000. It also permitted the Company to employ less than 9,000 people, provided

that this reduction arises from employee enrollment into the Voluntary Retirement Program or the Voluntary Dismissal Program, dismissals (rescission of the employee contract) for just cause, rescissions of the employment contract at the employee's initiative or by joint agreement, and retirement.

Profit Sharing Plan

In 1995, we established a profit-sharing program for employees in accordance with the applicable Brazilian labor legislation. Under this program, we may not contribute an amount to the employee profit sharing plan that is in excess of 25% of the total dividends proposed for that year. In 2009, the payment of employees' profit shares, including mandatory charges and payments based on payroll, totaled R\$233 million and were paid in December. In 2008, the payment of employees' profit shares, including mandatory charges and payments based on payroll, totaled R\$362 million and were paid in December.

Benefits

As of January 1, 2003, we implemented changes to our existing employee health care plans. The changes are a result of an agreement we entered into with our employees' labor unions, most of which are represented by Sindieletro. The changes modified the contributions that we, our employees and our retirees are responsible for and the types of benefits covered by each plan. As of December 31, 2009, a total of R\$128 million was paid in benefits to employees, consisting of pension plan contributions and assistance benefits.

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Voluntary Retirement Program

In March 2008, CEMIG implemented a Voluntary Retirement Program, which sets the rules and conditions applicable to free and voluntary rescissions of employment contracts by employees, and also criteria applicable to specific situations of employees who meet certain requirements for retirement. Employees who opt for the Voluntary Retirement Program receive a payment equal to three times their monthly salary and leave the Company a maximum of 90 days after opting for the program. In 2009, 193 employees accepted the terms of our Voluntary Retirement Program compared to 486 employees in 2008.

Voluntary Dismissal Program

In April 2009, CEMIG implemented a Voluntary Dismissal Program, starting in April 2009 and ending in June 2009, which sets rules and conditions applicable to free and voluntary termination of employment contracts by employees, and also establishes criteria applicable to employees who meet certain retirement requirements. Employees who subscribe to the PDV receive a financial incentive varying between four and sixteen times their monthly remuneration, according to criteria established in the program's regulations, of which the principal one is the time of contribution remaining for full retirement entitlement under the national social security system (INSS). The incentive includes payment of the contributions to the pension fund and the INSS up to the date when the employee would have complied with the requirements for applying for retirement benefit under the INSS (limited to five years), and deposit of the obligatory penalty payment (applicable to dismissals) of 40% on the balance of the employee's accumulated funds under the Unemployment Guarantee Fund or Fundo de Garantia por Tempo de Serviço (FGTS) system.

Additionally, CEMIG guarantees full payment of the costs of the group life insurance plan for six months, and of the health plan for twelve months, from the date of leaving the company.

A total of 1,043 employees of the Company subscribed to the program. A provision for the expenses for the financial incentives in the amount of R\$206 was fully recognized in 2009.

Program for Sharing in Profit, Results, and Productivity

CEMIG authorized a distribution equal to 3% of its consolidated operational results for the year ended December 31, 2009 under its Program for Sharing in Profit, Results, and Productivity, which was paid in March 2010.

Health and Safety

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In 2009 the number of work accidents that resulted in loss of one or more day's work for the total of CEMIG's own employees and outsourced workers was 7.14% higher than in 2008. The main reason for the increase was traffic accidents.

Share Ownership

Each of our directors and executive officers beneficially owns less than 0.001% of our preferred shares and less than 0.003% of our common shares.

Item 7. Major Shareholders and Related Party Transactions

Principal Shareholders

As of December 31, 2009, the State Government owned, directly or indirectly, 138,212,264 common shares, or 50.97% of our outstanding voting stock, and 6,415,884 preferred shares, or approximately 1.84% of those outstanding. As of the same date, Southern, our second largest shareholder, owned 89,383,266 common shares, or approximately 32.96% of those outstanding. Southern is a joint venture formed in 1994. We believe that the principal participant in Southern is Cayman Energy Traders, a subsidiary of Mirant Corporation (formerly Southern Energy Inc.), a large United States-based power company. We believe that the other significant member of Southern is, as of December 31, 2009, AES Corporation, a global power company based in Arlington, Virginia that is engaged in the energy generation, distribution and retail supply businesses. We believe that the Opportunity Fund, a Brazilian investment fund, has a minority interest in Southern through 524 Participações S.A. Our principal shareholders do not have different voting rights with respect to the shares they own.

The following table sets forth certain information regarding the ownership of our outstanding common shares and preferred shares at December 31, 2009.

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| Shareholder | Common Shares | % of Class | Preferred Shares | % of Class |
|---|------------------|---------------|---------------------|---------------|
| State Government (1) | 138,212,264 | 50.97% | 6,415,884 | 1.84% |
| Southern | 89,383,266 | 32.96% | | |
| All directors and executive officers as a group | 7,911 | | 874 | |
| Other | 43,558,713 | 16.06% | 342,541,418 | 98.02% |
| Total of outstanding shares | 271,154,243 | 100% | 342,541,418 | 98.02% |
| Treasury shares | | | 264,473 | 0.08% |
| Total of authorized and issued shares | 271,154,243 | 100% | 349,222,649 | 100% |

(1) The shares in this line item attributed to the State Government include shares held by MGI, other State Government agencies and state-controlled companies.

Since our incorporation, our operations have been influenced by the fact that the State Government controls us. Our operations have had and will continue to have an important impact on the development of business and industry in Minas Gerais and on social conditions in the state. The State Government has from time to time in the past directed us to engage in certain activities and make certain expenditures designed primarily to promote the social, political or economic goals of the State Government and not necessarily designed with a view to our profitability, and it may direct us to do so in the future. See, Item 3. Key Information Risk Factors Risks Relating to CEMIG We are controlled by the State Government.

As of December 31, 2009, we had 36 common shareholders of record in the United States, holding a total of 8,053,258 common shares. We also had 273 preferred shareholders of record in the United States, holding a total of 184,892,492 preferred shares. These numbers do not include the 123,812,242 preferred shares and 1,085,343 common shares converted into ADRs.

Based on publicly available filings with the SEC, we are aware of the following changes in ownership of our outstanding preferred shares. On February 8, 2008, Capital Research and Management Company owned 13,644,250 preferred shares of CEMIG, corresponding to 4.98% of our preferred shares and, as a result of buying transactions on February 8, 2008, now owns a total of 13,990,050 preferred shares of CEMIG, corresponding to 5.11% of our preferred shares. Although our by-laws do not provide any restrictions concerning a change in our control, a state law authorizing a change of control would be required for a change of control to take place. Because we are a state-controlled company, the sale of more than 50% of the voting stock of CEMIG by the State Government (or any other transaction that may transfer the control of the company, either totally or partially) requires the passage of specific authorizing legislation by the legislature of Minas Gerais, approved by at least 60% of the members of the State Assembly. The aforementioned authorization must also be approved by local citizens in a referendum.

On December 17, 2009, BlackRock, Inc., as investment manager on behalf of some of its clients, notified that as a result of the merger between BlackRock and Barclays Global Investors, on December 1, 2009, it has achieved the total of 12,410,905 preferred shares and 20,411,225 American Depositary Receipts (ADRs) for preferred shares, representing a total of approximately 9.39% of the total preferred shares in CEMIG. Blackrock Inc. has notified that the objective of the above-mentioned stockholdings is strictly for investment purposes, and it has no intention of altering the stockholding control or management structure of the Company. In addition, it has also notified that it holds no debentures issued by CEMIG that are convertible into shares, and that no agreements have been entered into by BlackRock that regulate the exercise of the right to vote or the purchase or sale of securities issued by CEMIG.

On April 15, 2010, Lazard Asset Management LLC notified it has acquired 17,497,213 shares, or 5.01% of the total of the shares issued by CEMIG. It has also notified that the acquisition of the above interest is not a case of acquisition of control of the Company, but of investment,

and that it does not seek to change CEMIG's management, nor the composition of its stockholding control or functioning

On June 17, 2010, AGC Energia S.A. (AGC Energia), a subsidiary of Andrade Gutierrez Concessões S.A. (AGC) notified that a share transfer occurred pursuant to a share purchase and sale agreement signed between Southern and AGC Energia, with AGC as the consenting party, dated November 12, 2009. AGC Energia acquired from Southern 98,321,592 common shares of CEMIG, representing 32.96% of the voting stock and 14.41% of the total capital. AGC Energia emphasizes that such transaction does not change the structure of the stockholding control, nor the management structure, of CEMIG.

We are not aware of any other significant changes in the percentage ownership of any shareholders that held 5% or more of our outstanding voting shares during the past three years.

Related Party Transactions

We are party to the following related-party transactions:

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- Our agreement with the State Government with respect to the CRC Account and related financial income and provision for loss and VAT advance payments, expenses, assets and liabilities;
- Our agreement with Forluz, the entity responsible for managing our employee pension fund, pertaining to the fund and related balances; and
- Our agreement with COPASA, a Minas Gerais state-controlled company, related to accounts receivable from energy sales.

For a more detailed discussion of these and other related party transactions, see Notes 3, 7, 8, 13, 14, 16, 19 and 22 to our consolidated financial statements.

On 2009, we also executed Power Purchase Agreements with our subsidiaries Hidrelétrica Pipoca S.A., Santo Antônio Energia S.A. and Usina Termelétrica Barreiro S.A. which were formally approved by ANEEL:

- *Hidrelétrica Pipoca S.A.:* Cemig Generation and Transmission executed two Power Purchase Agreements with Hidrelétrica Pipoca S.A. regarding energy supply for the periods of July 1, 2010 to June 30, 2015, as authorized by ANEEL's Dispatch No. 4.061, from October, 30, 2009, and from July 1, 2015 to June 30, 2020, as approved by ANEEL's Dispatch No. 4.456, of November 30, 2009.
- *Santo Antônio Energia S.A.:* Cemig Generation and Transmission executed two Power Purchase Agreements with Santo Antônio Energia S.A. regarding energy supply for the periods of May 1, 2012, to December 31, 2027 authorized by ANEEL's Dispatch No. 1.851, dated as of May 20, 2009 and a short-term energy supply agreement as approved by ANEEL's Dispatch No. 1.850 of May 20, 2009.
- *Usina Termelétrica Barreiro S.A.:* Cemig Generation and Transmission executed a Power Purchase Agreement with Usina Termelétrica Barreiro S.A. regarding short-term energy supply, as approved by ANEEL's Dispatch No. 1.851, dated as of May 20, 2009.

Item 8. Financial Information

Consolidated Financial Statements and Other Financial Information

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Please refer to our financial statements that appear beginning on page F-1 of this document as well as Item 3. Key Information Selected Consolidated Financial Data.

Legal Proceedings

The Company and its subsidiaries and jointly-controlled companies are parties in administrative and court proceedings involving tax, regulatory, administrative, environmental and third-party matters relating to its business. There is also a legal case in progress arguing the validity of the agreement signed in 1997 among our principal stockholders.

The provisions for contingencies in these proceedings have been made in accordance with the criteria in the Public Electricity Service Accounting Manual, amounts being provisioned in proceedings when the chance of loss is rated probable. The following paragraphs give a summary of the most material proceedings to which we are a party.

For more information regarding such contingencies, see Notes 17 and 27 to our consolidated financial statements.

Rate Increases

We are the defendant in several lawsuits brought by industrial consumers alleging that increases in electricity rates, determined by DNAEE, predecessor of ANEEL, during a price freeze imposed by the Federal Government from March through November 1986, known as the Cruzado Plan (*Plano Cruzado*) were illegal. Some of the plaintiffs further allege that all our rates after the Cruzado Plan period were illegal, in part because they included the Cruzado Plan period increases in the amounts that served as the basis for calculating the further increases. Some of these claims have been decided at the trial court level in our favor, whereas others have been decided in favor of our consumers. All of the cases that have been decided at the trial court level have been appealed to the Superior Court of Justice (*Superior Tribunal de Justiça*), which ruled, in most of the cases, that the plaintiffs were entitled only to

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reimbursement for rate increases introduced during the Cruzado Plan. We are actively contesting all of the aforementioned rate increase claims. As of December 31, 2009, the aggregate rate increase claims brought against us totaled, approximately, R\$310 million, for which we recorded a provision of R\$234 million.

In addition, in regards to the lawsuits mentioned above, in May 2010 we settled the lawsuit filed by RIMA Industrial S.A. concerning the reimbursement of the rate increase introduced by DNAEE during the Cruzado Plan. By means of a settlement agreement, we have agreed to pay RIMA Industrial S.A., in addition to the amount of R\$ 92 million offset according to previous judicial decisions, the total amount of R\$ 85 million, without any monetary adjustment or correction and including the lawyers fees, to be paid by deduction from future invoices for supply of electricity and use of the distribution system.

We are also a defendant in lawsuits and class actions brought by consumers, consumer rights groups and the office of the public prosecutor of Minas Gerais contesting the rates we charge our consumers, the application of the rate increases determined by ANEEL, the inflationary index used to increase our rates and the rate subsidies granted to low income consumers. These lawsuits involve claims for the suspension of the rate increases and for the reimbursement to our consumers of twice the amount of any additional rates we collected. All our rate increases are granted based on ANEEL's prior authorization and we believe we have a meritorious defense to each of these lawsuits. It is not possible at the present time to estimate the amounts involved in these claims. We have not accrued any liability related to these claims.

Cemig Distribution is a party, together with ANEEL, in a civil public action brought by the Public Attorneys' Office seeking to prevent the exclusion of consumers from the Low Income Residential Tariff's subclass frame and also to require Cemig Distribution to pay double the amount overpaid by the low income consumers. The lower court found in favor of the Public Attorneys' Office, and Cemig Distribution and ANEEL appealed to the Regional Federal Appeals Court (*Tribunal Regional Federal*). The decision of the appeals court on the proceeding has been pending since March, 2008. Cemig Distribution assesses its chance of loss as possible and estimates the amount involved in such proceeding to be, approximately, R\$96.8 million, as of December 31, 2009.

Taxes and Other Contributions

CEMIG and its subsidiaries are parties in several administrative and judicial tax related proceedings concerning the imposition of the *Imposto Sobre a Circulação de Mercadorias e Serviços* (state value-added tax), or ICMS, *Imposto Sobre a Propriedade Territorial Rural* (rural real estate tax), or ITR, *Programa de Integração Social*, or PIS, *Programa de Formação do Patrimônio do Servidor Público*, or PASEP, and *Contribuição para o Financiamento da Seguridade Social*, or COFINS, (which are social contributions imposed on gross revenues), *Contribuição Social Sobre o Lucro Líquido*, or CSLL, (social contribution on net profits) and *Imposto de Renda da Pessoa Jurídica*, or IRPJ (corporate income tax), among others.

Since 2002, we have been receiving a subsidy from Eletrobras to reimburse us for losses incurred as a result of the discount we were required to provide to low-income consumers, under the provisions of Federal Law No. 10,604/02. In 2005, the State of Minas Gerais issued Decree 43,999/05 determining the imposition of ICMS on this subsidy. We believe that the subsidy is not taxable, and, therefore, we are not collecting the ICMS on the amounts derived from the subsidy. However, the State of Minas Gerais filed a tax foreclosure against us in connection with this matter, demanding the collection of the ICMS. In July 2008, we received an unfavorable decision in the court of first impression. We appealed the decision and received another unfavorable decision at the second level of trial. The Company filed appeals to the Superior Court of Justice and to the Federal Supreme Court and is currently waiting for a decision. We estimate the amount involved in this dispute to be approximately R\$143 million, as of December 31, 2009. No provision has been recorded with respect to this dispute, since CEMIG assesses its chance of loss

as possible.

In 2006, CEMIG, CEMIG Distribution and CEMIG Generation and Transmission made advance payments to some of their employees in exchange for their rights to future payments, referred to as the Anuênio. No income tax or social security contributions were collected in connection with those payments, since it is our opinion that such tax and contribution should not be imposed on such payments. In order to avoid the risk of imposition of penalties, we filed two writs of mandamus, receiving adverse decisions in the first level of trial. We filed the appropriate appeals, and are still waiting for the decisions at the second level of trial. We estimate the amount involved in these claims to be approximately R\$167 million, as of December 31, 2009, consisting of the full amount of judicial deposits from 2006. The Companies assess their chance of loss in this dispute as possible.

We were assessed by the INSS in 2006 due to the non-collection of the social security contribution on the amounts paid to our employees as profit sharing in the period between 2000 and 2004. In 2007, we filed a writ of mandamus in order to obtain a judicial decision declaring that such payments were not subject to the imposition of social security contributions. We received a partially favorable decision in 2008, which we have appealed and are currently waiting for a decision at the second level of trial. The total amount involved in this claim is approximately R\$122 million, as of December 31, 2009. No provision has been recorded since CEMIG assesses its chance of loss in this dispute as possible.

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In 1998, CEMIG filed a Writ of Mandamus in which it requested the recognition of its right to offset the amounts paid as CSLL from the taxable basis of the IRPJ. A preliminary injunction was granted at the time allowing CEMIG to collect the IRPJ considering the deduction of the CSLL from its taxable basis. The injunction was confirmed at the first level of trial. In view of such decision, CEMIG has been offsetting the CSLL from the IRPJ taxable basis, which results in a lower IRPJ. The Federal Revenue Attorney General presented an appeal and the decision issued at the first level of trial was reversed at in the second level court. CEMIG presented an appeal to such decision. The amount involved in such claim is approximately R\$85 million, as of December 31, 2009. We estimate the chance of loss in relation to this proceeding as probable. On May 2010, CEMIG decided to collect the total amount under discussion, approximately R\$ 91.38 million, in order to avoid restraints for the issuance of negative tax certificates. Nonetheless, the Company is still discussing the merit of the abovementioned proceeding.

In 2009, state tax authorities issued a tax assessment against CEMIG aiming at the collection of ICMS allegedly under collected by the Company in 2004, in view of the discount of ICMS credits related to the acquisition of goods recorded by the Company as fixed assets. According to State tax authorities, CEMIG did not follow the correct procedures for the assessment and discount of the ICMS credits. CEMIG has filed an administrative defense and it is currently waiting for a decision. The total amount involved in this claim is approximately R\$55 million, as of December 31, 2009. No provision has been recorded since CEMIG assesses its chance of loss in this dispute as possible.

Labor Obligations

CEMIG is a defendant in several claims filed by our employees and third parties (outsourced workers). These claims generally relate to overtime and compensation for occupational hazards. In addition to these actions, there are others relating to outsourcing of labor, readjustment of retirement pension payments by Forluz and salary adjustments.

Under Brazilian labor laws, claimants must file a labor claim for unpaid services within two years of the termination of their employment agreement (limited to rights which arose no more than five years prior to termination). As of December 31, 2009, the amount in dispute involved in the aforementioned claims was approximately R\$279 million, and we had provisioned R\$81 million for the payment of these labor contingencies.

In June 2007, a judgment was rendered against CEMIG in a civil public action brought by the Labor Public Attorneys Office at the beginning of 2003, aiming to prevent the Company from using outsourcing for its end-activities. In the judgment, a period of nine months was given for CEMIG to abstain from contracting employees through outsourced companies. In March 2008, the Higher Labor Appeal Court (*Tribunal Superior do Trabalho*) granted a preliminary injunction suspending the effects of the prior decision and its consequences until it reaches a final decision. The amount involved in the case is approximately R\$42 million, as of December 31, 2009, with the contingency for loss being assessed as possible.

Claims in the Ordinary Course of Business

We are a party in several civil claims, mainly as a defendant of claims relating to (i) people who request indemnification due to accidents which have occurred during the ordinary course of the business of CEMIG; (ii) consumer claims; and (iii) contractual and other commercial obligations. As of December 31, 2009, the total amount involved in the claims where the loss is assessed as probable is approximately R\$168 million, and the total amount involved in the claims where the loss is assessed as possible is approximately R\$2,117 million.

Legal Proceedings Related to Environmental Matters

We are a party in a number of proceedings and claims involving environmental matters. These proceedings and claims include court and administrative disputes regarding certain environmental matters, protected and Indian areas, environmental licenses and remediation of environmental damages. As of December 31, 2009, the amount involved in these claims totaled approximately R\$1,211 million on which R\$1,187 million is related to proceedings for which the likelihood of loss is assessed as possible .

Nevertheless, since CEMIG and its subsidiaries are defendants in several class action style lawsuits, the amounts involved in these proceedings cannot be precisely assessed, due to the fact that most of these lawsuits aim at addressing environmental damages and require the undertaking of indemnification, remediation and compensation measures that will be defined during the process. Additionally, the class action style lawsuits may affect those other than the parties directly involved, and these third parties may be awarded other remedies as determined by the respective judges and courts. Therefore, the values above may not correspond to the actual amounts that will be spent by CEMIG in legal proceedings involving environmental matters.

We are a defendant in a public civil action filed on February 5, 2007 by the Regional Environmental Association of Patrocínio against CEMIG, Southern Electric and FEAM, which involves a claim for indemnifying and redressing environmental

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damages caused by the Nova Ponte Hydroelectric Power Plant, which amounted to R\$1,081 million on December 31, 2009. This public civil action has been awaiting judgment, and the likelihood of loss is assessed as possible.

Finally, the Minas Gerais Public Attorney filed four class actions against CEMIG, claiming for an order against the company to invest at least 0.5% of the total operational revenue of the business year prior to that of the investment on the protection and environmental preservation of the water tables of municipalities related to CEMIG's generation plants, since 1997. This claim is based on the State of Minas Gerais Law No. 12,503, issued on May 31, 1997, and its likelihood of loss is assessed as possible. CEMIG has not yet assessed the amount involved in such lawsuits.

Regulatory Matters

Prior to 1993, electric utilities in Brazil were guaranteed a rate of return on investments in assets used to provide electric service to consumers, the rates charged to consumers were uniform throughout the country, and profits from more profitable utilities were reallocated to less profitable ones so that the rate of return for all companies would equal the national average. Shortfalls experienced by most electric utilities in Brazil were accounted for in each company's CRC Account. When the CRC Account and the guaranteed return concept were abolished, we used our positive balances in the CRC Account to offset our liabilities to the Federal Government.

ANEEL has brought an administrative proceeding against us, contesting a credit related to such positive balance. On October 31, 2002 ANEEL issued a final administrative decision. On January 9, 2004, the Brazilian Federal Treasury Department issued an Official Collection Letter to us in the amount of R\$516.2 million to be paid by January 30, 2004. We filed a writ of mandamus to suspend its inclusion in the national non-payers registry, or the Cadin. Although the relief was denied by the lower court, we appealed to the Federal Court of the First Region which granted us a temporary injunction to suspend the inclusion in the Cadin. Therefore, we have not accrued any liability related to this claim. The amount of this proceeding, as of December 31, 2009, is approximately R\$1,157 million. No provision has been recorded for this matter since we assess the chance of an adverse outcome as possible.

We are the defendant in suits challenging the charging of tax on public lighting. The value of these claims is approximately R\$908.7 million, as of December 31, 2009. We believe we have sound arguments in defense of these claims. We assess the likelihood of a loss in these actions as possible.

A class action was brought against CEMIG and nine other defendants requesting nullification of the Conduct Adjustment Undertaking (TAC) signed between the Public Attorneys' Office and the Company, ordering the restitution to public funds of the amounts transferred to the defendant companies for implementation of the Light for All (*Luz para Todos*) program. The application for interim remedy was refused, and the plaintiff appealed to the Regional Federal Appeals Court (*Tribunal Regional Federal*). The updated amount involved, of R\$1,654 million, as of December 31, 2009, refers to the request for restitution of the amounts received by the companies that carried out the services contracted by CEMIG in order to comply with such governmental program, and fees of counsel. The class action has been sent to the State Court, after the Federal Court decided that it did not have jurisdiction to hear the case. The chance of loss is assessed as possible.

CEMIG has also filed a writ of mandamus in order to require its qualification as a co-defendant in a claim brought by AES Sul against ANEEL. The judge granted CEMIG an injunction to suspend the deposit order in the amount of approximately R\$95 million, which was determined in a

settlement. In the event of AES Sul's success, CEMIG will pay such updated amount. The chance of loss is assessed as possible. Currently, the claim brought by AES Sul is in the evidentiary phase. On December, 17, 2009, the judge determined the specification of proofs by the parties.

Dividend Policy and Payments

Obligatory Dividend Priority and Amount of Dividends

Under our by-laws, we are required to pay to our shareholders, as obligatory dividends, 50% of the net income of each fiscal year ending December 31, determined in accordance with Brazilian GAAP. Our preferred shares have priority in the allocation of the obligatory dividend for the period in question. The order of priority of the dividends distribution is as follows:

- The annual minimum dividend for the preferred shares: These have preference in the event of reimbursement of shares, and have an annual minimum dividend equal to the greater of the following:
- 10% of their par value; or

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- 3% of the shareholders' equity associated with it.
- The dividends on the common shares, up to the minimum percentage for the preferred shares.

If a portion of the obligatory dividend remains after the payment of the common dividend, the remaining funds are to be distributed on an equal, pro rata basis with respect to all preferred shares and common shares.

Without prejudice to the obligatory dividend, beginning in fiscal year 2005, every two years, or shorter period if the Company's cash position permits, we will distribute extraordinary dividends, up to the limit of the cash available, as determined by the Board of Directors, under the Company's Strategic Guidelines Plan and the dividend policy specified in that plan.

The annual dividends declared shall be paid in two equal installments, the first by June 30 and the second by December 30 of each year. The extraordinary dividends shall be paid as decided by the Board of Directors.

Under the Brazilian Corporate Law, the Board of Directors may declare interim dividends, in the form of interest on capital, to be paid from retained earnings, income reserves or income reported in semi-annual or quarterly financial statements. Any interim dividends paid shall be calculated based on the dividend to be paid in the fiscal year in which the interim dividend was declared. Our by-laws authorize our Board of Directors to declare interim dividends. Any interim dividend paid may be set off against the amount of the obligatory dividend payable for the fiscal year in which the interim dividend was paid.

In the fiscal years in which we do not have sufficient income to pay dividends to our preferred and common shareholders, the State of Minas Gerais guarantees a minimum dividend of 6% of the par value of the preferred or common shares, respectively, per year to all shares of the Company issued up to August 5, 2004 and held by individuals.

Amounts Available for Distribution

The amount available for distribution is calculated on the basis of the financial statements prepared in accordance with accounting practices adopted in Brazil and the procedures described below.

The obligatory dividend is calculated on the basis of *adjusted net income*, defined as net income after addition or subtraction of: (a) amounts allocated to the legal reserve, (b) amounts allocated to the formation of the contingency reserves and reversal of these reserves formed in previous fiscal years, and (c) any unrealized income transferred to the unrealized income reserve account, and any amounts previously posted to this reserve account which have been realized in the fiscal year and used to offset losses.

We are obliged to maintain a legal reserve, to which 5% of the net income of each fiscal year must be allocated until the reserve's total value is equal to 20% of the Company's total paid-in capital. However, we are not obliged to make any allocation to the legal reserve in relation to any fiscal year in which the sum of the legal reserve and the other established capital reserves exceeds 30% of the Company's total paid-in capital. Any net losses may be charged against the legal reserve.

Under the Brazilian Corporate Law, income in subsidiaries or affiliated companies reported by the equity method, and income on term sales, realizable after the end of the next fiscal year, are also considered to be unrealized income.

The total of income reserves (with the exception of the reserve for contingencies relating to expected losses and the unrealized income reserve), the legal reserve, the special reserves, the reserve for investment projects, and retained earnings may not be greater than the Company's registered capital. The amount in excess of our registered capital must be used to increase our registered capital or be distributed as cash dividends.

Under the Brazilian Corporate Law and our by-laws, dividends not claimed within three years from the date on which they are distributed revert to us.

Interest on Equity

Under Brazilian law we may pay interest on equity as an alternative for the distribution of funds to shareholders. Funds distributed as interest on equity qualify within the calculation of minimum dividend established in the by-laws. These amounts may be paid in cash; and the Company may treat them as an expense for purposes of the calculation of the income tax and the social contribution tax. The total amount paid in interest on equity is limited to the result of application to the Company's shareholders' equity of the Long Term Interest Rate (TJLP), published by BNDES and may not exceed the greater of (i) 50% of the net income (before taxes for social contribution on net profits, income tax, and the deduction of the interest attributable to shareholders' equity) for the period in

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respect of which the payment is made or (ii) 50% of retained earnings as of the date of the beginning of the period in respect of which the payment is made. Shareholders who are not resident in Brazil must register with the Brazilian Central Bank so that the foreign currency proceeds of their dividend payments, or of sale or other amounts relating to their shares, may be remitted to them outside Brazil. The preferred shares underlying our Preferred ADSs and the common shares underlying our Common ADSs are held in Brazil by the custodian bank, as agent for the depositary bank, which is the registered owner of the shares.

Currency Exchange

Payments of cash dividends and distributions, if any, will be made in *reais* to the custodian on behalf of the depositary bank, which will then convert such proceeds into U.S. dollars and will cause such U.S. dollars to be delivered to the depositary bank for distribution to holders of ADRs. In the event that the custodian is unable to immediately convert the *reais* received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADRs may be adversely affected by devaluations of the *real* that occur before such dividends are converted and remitted. The *real* appreciated approximately 24.7% relative to the U.S. dollar in 2009. See Item 3. Key Information Risk Factors Risks Relating to Brazil The Federal Government exercises significant influence on the Brazilian economy. Political and economic conditions can have a direct impact on our business.

Dividends in respect of the preferred shares and common shares paid to holders who are not Brazilian residents, including holders of Preferred ADSs and Common ADSs, are generally not subject to Brazilian withholding tax, although in general payments of interest on capital are subject to withholding tax. See Item 10. Additional Information Taxation Brazilian Tax Considerations Taxation of Dividends and U.S. Tax Considerations Taxation of Distributions. There is no specific record date upon which the depositary bank will determine the exchange rate to be used in connection with converting cash dividends or other cash distributions. Pursuant to the Deposit Agreements, the depositary bank will arrange for the funds to be converted into U.S. dollars upon receipt of notice of cash dividends or other cash distributions.

History of Dividend Payments

The following table sets forth the recent history of declarations of dividends and interest on capital on our common shares and preferred shares. For each year in the table, the payment of the dividends occurred during the year following declaration. For the periods indicated, the dividends paid per 1,000 common shares and per 1,000 preferred shares (per one common share and per one preferred share, subsequent to the share consolidation on June 11, 2007) were the same. See Item 3. Key Information Selected Consolidated Financial Data.

Declaration History of Dividends and Interest on Capital (1)

| Dividend Year | Common Shares | | Preferred Shares | |
|---------------|---------------|-------------|------------------|-------------|
| | (R\$)(2) | (US\$)(3) | (R\$)(2) | (US\$)(3) |
| 2006 | 603,948,640 | 298,836,536 | 777,832,359 | 384,874,992 |
| 2007 | 379,426,703 | 227,392,246 | 488,297,923 | 292,639,292 |
| 2008 | 412,568,595 | 190,853,770 | 530,949,405 | 245,616,600 |
| 2009 (4) | 406,964,431 | 235,171,586 | 523,737,206 | 302,650,798 |

- (1) In accordance with the accounting practices adopted in Brazil, dividends and interest on capital are accounted for as having been paid in the dividend year in which they are proposed, even if such dividends or interest on capital were formally approved by a shareholders' meeting in the following year.
- (2) *Real* amounts are expressed in nominal *reais*.
- (3) U.S. dollar amounts are calculated by dividing the amount of dividends paid, expressed in nominal *reais*, by the Federal Reserve Board's rate on respective Record Dates (April 26, 2007, April 25, 2008, April 29, 2009 and April 29, 2010).
- (4) The 2009 dividends were approved at the ordinary and special general shareholders' meetings held on April 29, 2010. The 2009 dividends will be paid in two equal installments in June 2010 and December 2010. The first installment will be paid by June 30, 2010.

Significant Changes

A significant change in our financial condition since the date of our financial statements that are included in this annual report on Form 20-F is the issuance of the following debt:

- On January 15, 2010, Cemig Generation and Transmission made its second public issuance of common debentures in a total amount of R\$2,700 million. The debentures are unsecured, not convertible into shares, with a nominal unit value of R\$10,000. The first series of debentures will mature on

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January 15, 2012 and the second series of debentures will mature on January 15, 2015, with three annual installments in 2013, 2014 and 2015. The debentures of the first series will earn interest corresponding to 100% of the CDI, plus a spread of 0.9% per year, calculated based on a 252 business day year. As to the second series of the debentures, we are obligated to pay to the debenture holders an amount equal to the indexed outstanding par value of the debentures by IPCA (Índice Nacional de Preços ao Consumidor Amplo) plus annual interest of 7.6796%. The proceeds from this issuance were fully used in the early redemption of the third issuance of commercial paper of the company. The debentures are guaranteed by CEMIG.

- On May 27, 2010, Cemig Distribution issued two notes (Cédulas de Crédito Comercial) in favor of Banco do Brasil S.A., in the total amount of R\$600 million, with maturity date of May 10, 2013, and the effective rate of interest is 11.43% per annum. Additionally, Cemig Distribution made a swap transaction with Banco do Brasil, in the same amount of the notes, substituting the stated interest rate 11.47% per annum for the rate of 96% of CDI. One of the notes, in the amount of R\$230 million, had its proceeds used to roll over existing debt and is guaranteed by CEMIG. The other note, in the amount of R\$370 million, had its proceeds used to improve the company's working capital and is guaranteed by receivables.

Item 9. The Offer and Listing

Trading Market

The principal trading market for our preferred shares is the BM&FBovespa. Our Preferred ADSs, each representing one preferred share as of December 31, 2009, have traded on the NYSE under the symbol CIG since September 18, 2001. Prior to that date, our Preferred ADSs were traded in the over-the-counter, or OTC, market in the United States. The Preferred ADSs are evidenced by Preferred ADRs issued by Citibank, N.A., as depositary, pursuant to a Second Amended and Restated Deposit Agreement, dated as of August 10, 2001, as amended on June 11, 2007, by and among us, the depositary and the holders and beneficial owners of Preferred ADSs evidenced by Preferred ADRs issued thereunder. As of December 31, 2009, there were approximately 123,812,242 Preferred ADSs outstanding (each representing one preferred share), representing approximately 35.45% of our 349,222,649 outstanding preferred shares.

The principal trading market for our common shares is the BM&FBovespa. Our Common ADSs, each representing one common share as of December 31, 2009, have traded on the NYSE under the symbol CIG.C since June 12, 2007, when we established an American Depositary Shares program for our common shares. The Common ADSs are evidenced by Common ADRs issued by Citibank, N.A., as depositary, pursuant to a Deposit Agreement, dated as of June 12, 2007, by and among us, the depositary and the holders and beneficial owners of Common ADSs evidenced by Common ADRs issued thereunder. As of December 31, 2009, there were approximately 1,085,343 Common ADSs outstanding (each representing one common share), representing less than 0.40% of our 271,154,243 outstanding common shares.

On June 11, 2010, the closing price per preferred share on the BM&FBovespa was R\$25.00 and the closing price per Preferred ADS on the NYSE was US\$14.06.

On June 12, 2007, our common share ADSs began trading on the NYSE. On June 11, 2010, the closing price per common share on the BM&FBovespa was R\$18.90 and the closing price per Common ADS on the NYSE was US\$10.80.

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The following table sets forth the reported high and low closing sale prices for the preferred and common shares on the BM&FBovespa and the Preferred and common ADSs on the NYSE for the periods indicated.

| Period | Common Shares (1) Price in Nominal R\$ | | Common ADSs (1) Price in US\$ | | Preferred Shares(2) Price in Nominal R\$ | | Preferred ADSs (2) Price in US\$ | |
|--------|---|-------|----------------------------------|-------|---|-------|-------------------------------------|-------|
| | High | Low | High | Low | High | Low | High | Low |
| 2005 | 13.12 | 6.85 | | | 16.30 | 8.69 | 10.00 | 4.71 |
| 2006 | 16.86 | 12.83 | | | 20.28 | 15.14 | 13.02 | 8.75 |
| 2007 | 25.93 | 15.95 | 14.50 | 10.38 | 26.14 | 18.39 | 17.49 | 11.53 |
| 2008 | 21.80 | 13.68 | 13.66 | 6.41 | 27.04 | 17.07 | 21.82 | 10.68 |
| 2009 | 22.40 | 14.41 | 12.90 | 6.22 | 29.78 | 20.35 | 17.12 | 10.39 |
| 2008 | | | | | | | | |
| 1Q | 19.69 | 15.43 | 11.53 | 9.29 | 21.07 | 17.07 | 15.90 | 12.26 |
| 2Q | 21.80 | 16.51 | 13.38 | 10.09 | 25.95 | 19.44 | 20.51 | 14.50 |
| 3Q | 21.73 | 16.54 | 13.66 | 8.86 | 27.04 | 19.99 | 21.82 | 13.21 |
| 4Q | 20.62 | 13.68 | 10.96 | 6.41 | 25.08 | 19.27 | 16.84 | 10.68 |

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|---------------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2009 | | | | | | | | |
| 1Q | 16.54 | 14.41 | 7.41 | 6.22 | 22.74 | 20.35 | 13.01 | 10.39 |
| 2Q | 18.00 | 16.34 | 9.47 | 7.35 | 24.76 | 21.56 | 13.98 | 10.71 |
| 3Q | 18.66 | 17.11 | 10.86 | 8.61 | 24.58 | 22.08 | 13.43 | 11.29 |
| 4Q | 22.40 | 18.09 | 12.90 | 10.66 | 29.78 | 22.99 | 17.12 | 12.95 |
| 2010 | | | | | | | | |
| 1Q | 21.24 | 18.83 | 12.58 | 10.02 | 27.70 | 24.51 | 16.26 | 13.34 |
| 2Q | 21.86 | 18.00 | 12.85 | 10.00 | 28.49 | 23.90 | 16.77 | 13.19 |
| 2010 | | | | | | | | |
| January 2010 | 21.24 | 19.61 | 12.58 | 10.83 | 27.58 | 25.37 | 16.25 | 13.93 |
| February 2010 | 20.23 | 19.26 | 11.05 | 10.26 | 26.97 | 25.22 | 14.81 | 13.50 |
| March 2010 | 19.97 | 19.29 | 11.48 | 10.87 | 26.62 | 25.47 | 15.04 | 14.13 |
| April 2010 | 21.50 | 19.47 | 12.06 | 11.09 | 27.55 | 25.13 | 16.14 | 14.46 |
| May 2010 | 21.86 | 19.12 | 12.85 | 10.00 | 25.47 | 28.49 | 16.77 | 13.65 |
| June 2010 (3) | 19.31 | 18.00 | 11.32 | 10.05 | 23.90 | 25.67 | 14.71 | 13.19 |

(1) On May 3, 2007, a 50% stock dividend was paid on the common shares, resulting in an adjustment to the price per common share. The last day of trading of the common shares in lots of 1,000 shares was June 1, 2007. A reverse stock split of the common shares was effected in the form of a share consolidation on June 4, 2007 whereby every 500 common shares, par value of R\$0.01, were consolidated into one common share with a par value of R\$5.00. The price per common share was adjusted accordingly. In addition, On May 2, 2008, a 2.02% stock dividend was paid on the common shares, resulting in an adjustment to the price per common share. On May 8, 2008, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADSs, resulting in an adjustment to the price per Common ADS. On April 29, 2009, a 25.000000151% stock dividend was paid on the common shares, resulting in an adjustment to the price per common share. On May 14, 2009, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADS, resulting in an adjustment to the price per Common ADS. On April 29, 2010, a 10.000000128% stock dividend was paid on the common shares, resulting in an adjustment to the price per common share. On May 10, 2010, a corresponding adjustment was made to the Common ADSs through the issuance of additional Common ADS, resulting in an adjustment to the price per Common ADS. The common share prices and Common ADS prices have been adjusted to reflect all of the above items.

(2) On May 3, 2007, a 50% stock dividend was paid on the preferred shares, resulting in an adjustment to the price per preferred share. On May 7, 2007, a corresponding adjustment was made to the ADSs through the issuance of one additional ADS for every two ADSs, resulting in an adjustment to the price per ADS. The last day of trading of the preferred shares in lots of 1,000 shares was June 1, 2007. A reverse stock split of the preferred shares was effected in the form of a share consolidation on June 4, 2007 whereby every 500 preferred shares, par value of R\$0.01, were consolidated into one preferred share with a par value of R\$5.00. In addition, a 100% forward split of the ADSs was effected on June 11, 2007. The price per preferred share and Preferred ADS were adjusted accordingly. In addition, on May 2, 2008, a 2.02% stock dividend was paid on the preferred shares, resulting in an adjustment to the price per preferred share. On May 8, 2008, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Preferred ADS, resulting in an adjustment to the price per Preferred ADS. On April 29, 2009, a 25.000000151% stock dividend was paid on the preferred shares, resulting in an adjustment to the price per preferred share. On May 14, 2009, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Preferred ADS, resulting in an adjustment to the price per Preferred ADS. On April 29, 2010, a 10.000000128% stock dividend was paid on the preferred shares, resulting in an adjustment to the price per preferred share. On May 10, 2010, a corresponding adjustment was made to the Preferred ADSs through the issuance of additional Common ADS, resulting in an adjustment to the price per Common ADS. The preferred share prices and Preferred ADS prices have been adjusted to reflect all of the above items.

(3) Through June 11, 2010.

Since July 12, 2002, our depositary receipts have been traded on the LATIBEX, under the ticker symbol XCMIG. The LATIBEX is an electronic trading market created in 1999 by the Madrid Stock Exchange in order to facilitate the trading market of Latin American Securities in Euros.

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Trading on the BM&FBovespa

The preferred shares and common shares are traded on the BM&FBovespa, the only Brazilian stock exchange that trades shares. Trading on the BM&FBovespa is limited to brokerage firms and a limited number of authorized entities. The CVM and BM&FBovespa have discretionary authority to suspend trading in shares of a particular issuer under certain circumstances.

If you were to trade in the preferred shares or common shares on the BM&FBovespa, your trade would settle in three business days after the trade date. Delivery of and payment for shares is made through the facilities of a separate clearinghouse, which maintains accounts for brokerage firms. The seller is ordinarily required to deliver the shares to the exchange on the second business day following the trade date. The clearinghouse for the BM&FBovespa is Companhia Brasileira de Liquidação e Custódia (CBLC).

In order to better control volatility, the BM&FBovespa has adopted a circuit breaker system pursuant to which trading sessions may be suspended for a period of 30 minutes whenever the index of this stock exchange falls more than 10% from the index registered for the previous trading session, and an additional period of one hour if the index falls 5% or more after the reopening of trading.

The BM&FBovespa is less liquid than the NYSE and other major exchanges in the world. As of December 31, 2009, the aggregate market capitalization of the 385 companies listed on the BM&FBovespa was equivalent to approximately R\$1.3 trillion and the 10 largest companies listed on the BM&FBovespa represented approximately 53.03% of the total market capitalization of all listed companies. Although any of the outstanding shares of a listed company may be traded on a Brazilian stock exchange, in most cases fewer than half of the listed shares are actually available for trading by the public. The remainder of these shares is held by small groups of controlling persons, governmental entities or one principal shareholder.

Our preferred shares and common shares have daily liquidity on the BM&FBovespa and have had no suspension of trading in the past five years other than due to BM&FBovespa utilizing circuit breakers on a few occasions in 2008 with respect to the trading of all shares on the BM&FBovespa.

We have been a member of Special Corporate Governance Level 1 of the BM&FBovespa since October 2001. As a result, we have agreed to do the following:

- present a consolidated balance sheet, a consolidated statement of results and the accompanying letter to shareholders;
- include, in the explanatory notes to our financial statements, a cash flow statement;

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- disclose any direct or indirect ownership interest, including beneficial ownership interest, exceeding five percent of our capital stock;
- disclose the amount and characteristics of our securities held directly or indirectly by insiders;
- disclose changes in the amount of securities held by insiders within the preceding 12 months;
- disclose the amount of free float shares and their respective percentage in relation to total shares outstanding, which shall be of at least 25% of shares representing our capital stock;
- disclose, at the end of January of each year, an annual schedule of corporate events, and any subsequent changes to the schedule;
- disclose any agreements which we have executed with any of our affiliates, subsidiaries, managers (or any company owned or controlled by our managers) or controlling shareholders (or any affiliate or subsidiary of our controlling shareholders), whenever the aggregate value of such agreement exceeds either R\$200 thousand or 1% of our net equity, whichever is larger. For each such agreement we must disclose the purpose, term, amounts, provisions for termination and expiration and, if applicable, the influence the agreement may have over our management or business;
- hold at least one annual meeting with market analysts and any other interested parties; and
- adopt mechanisms that provide for capital dispersion in any public share offerings.

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A review of the rules applicable to Corporate Governance Level 1 listed companies is being proposed, hence these rules may be changed. New disclosure requirements may be established if the revision is approved.

Disclosure of Trading by Insiders

Brazilian securities regulations require our controlling shareholders, management, members of our Fiscal Council and any other technical or advisory body to disclose to us, the CVM and the BM&FBovespa the number and types of securities issued by us, our subsidiaries and our controlling companies that are held by them or by persons closely related to them and any changes in their respective ownership positions during the preceding 12 months. The information regarding the acquisition of such securities (amount, price and date of acquisition) must be provided to us within 10 days of the end of the month in which they were acquired.

Disclosure of Material Developments

Under Brazilian securities regulations, we must disclose any material development related to our business to the CVM and the BM&FBovespa. We are also required to publish a notice of those material developments. A development is deemed material if it has a material impact on: the price of our securities, the decision of investors to trade in our securities or the decision of investors to exercise any rights as holders of any of our securities. Under special circumstances, we may submit to the CVM a request for confidential treatment for certain material developments.

Trading on Brazilian stock exchanges by non-residents of Brazil is subject to limitations under Brazilian foreign investment legislation. See Item 10. Additional Information Exchange Controls.

Regulation of Brazilian Securities Markets

The Brazilian securities markets are principally governed by Law No. 6,385, dated December 7, 1976, and the Brazilian Corporate Law, each as amended and supplemented, and by regulations issued by the CVM, the National Monetary Council (CMN), and the Central Bank, which has, among other powers, licensing authority over brokerage firms, and which regulates foreign investments and foreign exchange transactions.

Under the Brazilian Corporate Law, a corporation is either publicly owned, such as we are, or closely held (*companhia fechada*). All publicly owned companies, including us, are registered with the CVM and are subject to reporting requirements. Our shares are traded on the BM&FBovespa, but may be traded privately subject to certain limitations. The Brazilian OTC market consists of direct trades and trades between individuals in which a financial institution registered with the CVM serves as intermediary.

We have the option to ask that trading in our securities on the BM&FBovespa be suspended in anticipation of a material announcement. Trading may also be suspended on the initiative of the BM&FBovespa or the CVM based on or due to, among other reasons, a belief that a company has

provided inadequate information regarding a material event or has provided inadequate responses to inquiries by the CVM or the stock exchange.

Brazilian law provides general restrictions on unfair trading practices and market manipulation, although in Brazil there may be fewer instances of enforcement actions and judicial precedent is less well defined than in certain other countries.

Trading on the BM&FBovespa by non-residents of Brazil is subject to limitations under Brazilian foreign investment and tax legislation. The Brazilian custodian for the preferred shares or the common shares must obtain registration from the Central Bank of Brazil to be eligible to remit for the remittance of funds U.S. dollars abroad for payments of dividends, any other cash disbursements, or upon the disposition of the shares and sales proceeds thereof. In the event that a holder of Preferred ADSs exchanges its Preferred ADSs for preferred shares or a holder of Common ADSs exchanges its Common ADSs for common shares, the holder will be entitled to continue to rely on the depositary bank's certificate of registration for five business days after the exchange. Thereafter, the holder may not be able to obtain and remit U.S. dollars abroad upon the disposition of the preferred shares or common shares, or distributions relating to the preferred shares or common shares, unless the holder qualifies for and obtains a new certificate of registration. See Item 10. Additional Information Exchange Controls.

Item 10. Additional Information

Memorandum and Articles of Association

We are a state-controlled company registered under the laws of Brazil. The registration number given to us by the Board of Trade of Minas Gerais (*Junta Comercial do Estado de Minas Gerais*) is 31300040127. Set forth below is a brief summary of certain

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significant provisions of (i) our by-laws, as amended by our general and special shareholders' meeting on April 29, 2009, and (ii) Brazilian Corporate Law. The description of our by-laws contained herein does not purport to be complete and is qualified by reference to our by-laws, which have been filed as an exhibit to this annual report.

Object and Purpose

As described in Article 1 of our by-laws, we have four main purposes: (i) to construct and operate electric power generation, transformation, transmission and distribution systems and to trade electric power and related services; (ii) to develop commercial activities in the energy field; (iii) to render consulting services to companies in Brazil and abroad related to our industry; and (iv) to perform activities directly or indirectly relating to our corporate purposes.

Preferred Shares

Holders of preferred shares have the right to receive annual minimum dividends in an amount equal to the greater of 10% of the par value of each preferred share or 3% of the net worth value associated with each preferred share. Holders of our preferred shares also will have priority over any other class of shares if we decide to redeem shares. A preferred share does not entitle its owner to vote at the general shareholders' meetings.

Share Subscription

Shares purchased by the State Government, which must constitute at all times the majority of our voting shares, are paid for in accordance with the Brazilian Corporate Law. Shares purchased by other shareholders (whether natural persons or companies) shall be paid for in accordance with the decision resulting from the general meeting of shareholders that addresses the matter.

Article 171 of the Brazilian Corporate Law provides that each shareholder has a general preemptive right to subscribe for new shares or convertible securities issued in any capital increase, in proportion to that shareholder's shareholding, except in the event of the exercise of any option to acquire shares of our capital stock. Shareholders must exercise their preemptive rights within 30 days after the publication of the notice of capital increase.

In the event of a capital increase, holders of Preferred ADSs, which represent preferred shares, and holders of Common ADSs, which represent common shares, would have preemptive rights to subscribe only to newly issued preferred shares or common shares, as the case may be, in proportion to their shareholdings but may not be able to exercise these rights because of U.S. securities law limitations. See Item 3. Risk Factors - Risks Relating to the Preferred Shares, Preferred ADSs and Common ADSs. You may not be able to exercise preemptive rights with respect to our securities.

Minority Shareholders

Our by-laws provide that the preferred and minority common shareholders are entitled to elect one member and an alternate to the Board of Directors, as more fully described in [Rights of Shareholders](#) [Rights of Minority Shareholders](#).

Dividends

For a discussion of our dividend policy, see [Item 8. Financial Information](#) [Dividend Policy and Payments](#).

General Meetings

General meetings of shareholders are held for any legal purpose, as provided by the Brazilian Corporate Law. Ordinary general meetings of shareholders are held within the first four months of the fiscal year and are called upon 15 days prior notice. The Brazilian Corporate Law also provides that the following actions may only be taken at a shareholders' meeting:

- amendment of our by-laws;
- increases or decreases to our issued capital stock or subscription of new shares;
- election of members to our Board of Directors and Fiscal Council;
- authorization of the issuance of debentures or any convertible securities;
- suspension of the rights of a shareholder who has violated Brazilian Corporation Law or our by-laws;

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- approval of any merger (*fusão*) or consolidation (*incorporação*) with another company in which we are not the surviving company or a spin-off (*cisão*);
- acceptance or rejection of the valuation of in-kind contributions offered by a shareholder in consideration for the issuance of shares of our capital stock;
- approval of our transformation into a limited liability company (*sociedade empresária limitada*) or any other corporate form;
- approval of any dissolution or liquidation, the appointment and dismissal of the respective liquidator and review of the reports prepared by him or her;
- any action regarding an application for bankruptcy or compulsory rescheduling of our debts;
- approval of the financial statements on an annual basis; and
- cancellation of registration with the CVM as a publicly-held company or delisting of our common shares from the BM&FBovespa, except in the case of a privatization tender offer.

As a general rule, the affirmative vote of shareholders representing at least the majority of our issued and outstanding common shares present in person or represented by proxy at a shareholders meeting is required to approve or ratify any proposed action, and abstentions are not taken into account. However, the affirmative vote of shareholders representing one half of our issued and outstanding voting capital is required to:

- create preferred shares or to increase disproportionately an existing class of preferred shares relative to the other classes of shares, unless such action is provided for or authorized by our by-laws;
- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or to create a new class with greater privileges than the existing classes of preferred shares;
- reduce the percentage of mandatory dividends;

- change our corporate purpose;
- merge us with another company if we are not the surviving company or consolidate us with another company;
- spin off a portion of our assets or liabilities;
- approve our participation in a group of companies;
- apply for cancellation of liquidation status;
- approve our dissolution; and
- approve the compulsory transfer of all of our shares to another company in order to make us a wholly-owned subsidiary of that other company (*incorporação de ações*).

Shareholders may be represented at a shareholders meeting by an attorney-in-fact appointed no more than one year prior to the meeting date. To be eligible to represent a shareholder in a shareholders meeting, the attorney-in-fact must be a shareholder, one of our executive officers or directors or an attorney-at-law. In a publicly held corporation, such as ours, the attorney-in-fact may also be a financial institution.

Subject to the provisions of the Brazilian Corporate Law and our by-laws, our Board of Directors may ordinarily call our shareholders meetings. These meetings may also be called by:

- the Fiscal Council, if the Board of Directors fails to call a general shareholders meeting within one calendar month after the date it was required to do so under applicable laws or a special shareholders meeting in the case of serious and

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urgent matters affecting us; any shareholder, whenever the executive officers fail to call the meeting of shareholders within 60 days of being required to do so by the Brazilian Corporate Law or by our by-laws; and

- shareholders holding at least five percent of our capital stock, if our Board of Directors fails to call a meeting within eight days after receipt of a request from that shareholder to call the meeting that indicates the issues to be discussed or calls for the creation of the Fiscal Council.

Board of Directors

Our by-laws mandate that our Board of Directors shall be comprised of 14 directors and 14 alternates. One director is designated a chairman and another director is designated the vice-chairman.

Our Board of Directors is responsible for:

- establishing the general direction of our business;
- electing and dismissing executive officers;
- approving the sale or pledge of our fixed assets, or the granting of guarantees to third parties, with a value of at least R\$14 million;
- approving, upon proposal by the Board of Executive Officers, the sale or the creation of any in rem guarantees with respect to our permanent assets and the granting by us of any personal guarantee to any third party in an amount exceeding R\$14 million;
- approving, upon a proposal by the Board of Executive Officers, loans, financings, agreements and any actions which would bind us in an amount exceeding R\$14 million;
- calling the general meetings of shareholders;

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- supervising the management of the Board of Executive Officers, reviewing our books and documents and requesting information regarding executed and soon-to-be executed contracts, as well as other items of interest;
- previously manifestation regarding the management report and the accountability of the Board of Directors , to be submitted for the Annual Shareholders Meeting approval;
- approving our annual and interim financial statements;
- appointing and dismissing independent auditors;
- approving, upon proposal by the Board of Executive Officers, the commencement or waiver of bidding proceedings for the purchase of goods or services with a value of at least R\$14 million;
- authorizing, upon proposal by the Board of Executive Officers, legal and administrative action to be taken on our behalf and the settlement of judicial and extra judicial matters in which we are involved with a value of at least R\$14 million;
- approving the issuance of securities (debentures, commercial papers, *notas promissórias*, among others) in the local and international capital markets;
- delegating to Board of Executive Officers the power to authorize signature contracts of commercialization of electric energy or rendering distribution and transmission services, in terms of legislation;
- approving CEMIG's long-term strategic plan, the multi-year strategic implementation plan, and the annual budget, and any alterations or revisions thereto;

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- annually, setting the directives and establish the limits, including financial limits, for spending on personnel, including concession of benefits and collective work agreements, subject to the competency of the shareholders meeting and in obedience to the annual budget approved;
- authorizing the exercise of the right of preference under Stockholders' agreements or to vote in wholly-owned subsidiaries, jointly-controlled companies, affiliated companies and the consortia in which CEMIG participates, except in the case of Cemig Distribution and Cemig Generation and Transmission, for which the competency to decide on these matters shall be that of the shareholders meeting; and
- approving the declarations of vote in the shareholders meetings and the orientations for voting in the meetings of the boards of directors of the wholly-owned subsidiaries, jointly-controlled companies, affiliated companies and the consortia in which CEMIG participates, when participation in the capital of other companies or consortia is involved, and the decisions must, in any event and not only in matters relating to participation in the capital of other companies or consortia, obey the provisions of the bylaws, the long-term strategic plan and the multi-year strategic implementation plan.

Under the Brazilian Corporate Law, directors of a corporation generally have certain duties equivalent to those imposed under the laws of most states of the United States, including a duty of loyalty to the corporation, a duty to refrain from self dealing and a duty to use reasonable care in the management of the corporation's affairs. Our directors and officers may be held liable for breaches of duty to us and our shareholders and may be subject to judicial actions in proceedings brought by government agencies or our shareholders.

There are no provisions in our by-laws with respect to (i) a director's power to vote on proposals or contracts in which such director is materially interested, (ii) borrowing powers exercisable by the directors, (iii) age limits for retirement of board members, and (iv) number of shares required for director qualification.

The chairman and vice-chairman of our Board of Directors are chosen by our Board of Directors at its first meeting following the election of the board members. The vice chairman of our Board of Directors will act as a temporary replacement for our chairman when the chairman is absent or impeded from exercising his functions.

Our shareholders have the responsibility of setting the remuneration of the board members at the General Meeting of Stockholders at which the board members are elected.

Rights of Shareholders

We extend to our shareholders all of the rights that are provided under Brazilian law. Our by-laws are in compliance with the Brazilian Corporate Law.

Essential Rights

Article 109 of the Brazilian Corporate Law provides that a corporation may not deny certain rights to its shareholders under any circumstances. These shareholders' rights include:

- the right to have a share of the corporation's earnings;
- the right to have a share of the corporation's assets, in the event of liquidation thereof;
- the right to supervise our management according to the Brazilian Corporate Law;
- preemptive rights to subscribe new shares or securities convertible into shares, except for exceptions provided by the Brazilian Corporate Law and our by-laws; and
- the right to withdraw from the company under certain circumstances provided in the Brazilian Corporate Law.

Voting Rights

As a general rule, only our common shares are entitled to vote and each common share corresponds to one vote. Holders of preferred shares acquire voting rights if, during three consecutive fiscal years, we fail to pay a fixed or minimum dividend to which

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the preferred shares are entitled. If a holder of preferred shares acquires voting rights in this manner, such rights will be identical to the voting rights of a holder of common shares and will continue until the dividend is paid. No restrictions exist on the right of a holder of common shares or preferred shares to exercise voting rights with respect to such shares by virtue of such holder being a non-resident of Brazil or a citizen of a country other than Brazil. However, holders of Preferred ADSs may only vote the underlying preferred shares through the depositary according to the terms of the Second Amended and Restated Deposit Agreement, and holders of Common ADSs may only vote the underlying common shares through the depositary according to the terms of the Common ADS Deposit Agreement. In any circumstance in which holders of preferred shares are entitled to vote, each preferred share will entitle its holder to one vote.

Redemption Rights

Our common shares and preferred shares are not redeemable, except that a dissenting shareholder is entitled under Brazilian Corporate Law to obtain redemption upon a decision made at a shareholders' meeting by shareholders representing at least 50% of the voting shares:

to create a new class of preferred shares or to disproportionately increase an existing class of preferred shares relative to the other classes of shares (unless such actions are provided for or authorized by the by-laws);

to modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or to create a new class with greater privileges than the existing classes of preferred shares;

to reduce the mandatory distribution of dividends;

to change our corporate purposes;

to merge us with another company or consolidate us;

to transfer all of our shares to another company in order to make us a wholly-owned subsidiary of such company;

to approve the acquisition of control of another company at a price that exceeds certain limits set forth in Brazilian Corporate Law;

to approve our participation in a centralized group of companies as defined under Brazilian Corporate Law; or

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in the event that the entity resulting from (a) a merger, (b) a transfer of shares as described in clause (6) above or (c) a spin-off that we conduct fails to become a listed company within 120 days of the shareholders' meeting at which such decision was taken.

Only holders of shares adversely affected by the changes mentioned in items (1) and (2) above may require us to redeem their shares. The right of redemption mentioned in items (5), (6) and (8) above may only be exercised if our shares do not satisfy certain tests of liquidity at the time of the shareholder resolution. The right of redemption lapses 30 days after publication of the minutes of the relevant shareholders' meeting, unless, in the case of items (1) and (2) above, the resolution is subject to confirmation by the preferred shareholders (which must be made at a special meeting to be held within one year), in which case the 30-day term is counted from the publication of the minutes of the special meeting.

We would be entitled to reconsider any action giving rise to redemption rights within 10 days following the expiration of such rights if the redemption of shares of dissenting shareholders would jeopardize our financial stability. Law No. 9,457 dated May 5, 1997, which amended Brazilian Corporate Law, contains provisions which, among other provisions, restrict redemption rights in certain cases and allow companies to redeem their shares at their economic value, subject to certain requirements. Our by-laws currently do not provide that our capital stock will be redeemable at its economic value and, consequently, any redemption pursuant to Brazilian Corporate Law would be made at no less than the book value per share, determined on the basis of the last balance sheet approved by the shareholders; provided that if the general shareholders meeting giving rise to redemption rights occurred more than 60 days after the date of the last approved balance sheet, a shareholder would be entitled to demand that his or her shares be valued on the basis of a new balance sheet dated within 60 days of such general shareholders meeting.

Rights of Minority Shareholders

The Brazilian Corporate Law provides that shareholders who own at least 5% of the capital stock of a corporation are afforded the following rights, among others:

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- the right to require that the books of the corporation be made available for review, whenever these shareholders become suspicious that Brazilian law or the corporation's by-laws have been violated, or that irregularities have been committed by the management of the corporation;
- the right to call a general meeting of shareholders, under certain circumstances, whenever the corporation's directors or officers, as the case may be, fail to do so; and
- the right to file an action for indemnification by directors or officers, as the case may be, for damages caused to the assets of the corporation, whenever it is determined at the general meeting of shareholders that such a claim shall not be filed.

Minority shareholders that own, individually or in the aggregate, our outstanding common shares (since at least 10% of our outstanding common shares are held by minority shareholders), and also holders of our preferred shares, have the right to appoint one member of the Fiscal Council and an alternate. All shareholders have the right to attend general meetings of shareholders.

The Brazilian Corporate Law also provides that minority shareholders that hold either (i) preferred shares representing at least 10% of the total share capital of a company or (ii) common shares representing at least 15% of the voting capital of a company, have the right to appoint one member and an alternate to the Board of Directors. If no common or preferred shareholder meets these thresholds, shareholders holding preferred shares or common shares representing at least 10% of the total share capital of the company are entitled to combine their holdings to appoint one member and an alternate to the Board of Directors.

Changes in Rights of Shareholders

Any change with respect to the rights of holders of our common shares or preferred shares requires a shareholders' meeting. Under the Brazilian Corporate Law, the proposed changes must be approved by a majority of the affected class. Certain changes with respect to the rights of non-voting shares, including preferred shares, such as a change in payment or voting rights, may give rise to the exercise of redemption rights by the holders of the affected shares.

Going Private Transactions and Delisting from the BM&FBovespa

Our delisting, as a public company, must be preceded by a tender offer by our controlling shareholders or ourselves for the acquisition of all our then outstanding shares, subject to the conditions below:

- the price offered for the shares under the public offering must be the fair value of those shares, as established in Brazilian Corporate Law; and

- shareholders holding more than two thirds of our float shares shall have expressly agreed to our decision to become a private company or accepted the offer.

According to Brazilian Corporate Law, a fair price shall be at least be equal to our valuation, as determined by one or more of the following valuation methods: book value, net book value assessed by market price, discounted cash flow, multiples, price of our shares in the market or any other valuation method accepted by the CVM. This price of the offer may be revised if challenged within 15 days of its publication by holders of at least 10% of our outstanding shares, by means of a request sent to our management that a special shareholders` meeting be called to decide on whether to request a new valuations under the same or different valuation method. Our shareholders that request a new valuation and those who approve such request shall reimburse us for incurred costs if the new valuation is lower than the challenged valuation. However, if the second valuation is higher, the offeror will have the option to continue the offer with the new price or quit the offer.

Arbitration

Pursuant to the Brazilian Corporate Law and related regulations, if provided for in a company s by-laws, disputes among shareholders will be subject to arbitration. Our by-laws currently do not provide for arbitration.

Material Contracts

For information concerning our material contracts, see Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects.

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Exchange Controls

There are no restrictions on the ownership of preferred shares or common shares of non-financial institutions by legal entities domiciled outside Brazil. However, your right to convert dividend payments and proceeds from the sale of preferred shares or common shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that you register the relevant investment with the Central Bank and the CVM.

Investments in the preferred shares through the holding of Preferred ADSs, or in the common shares through the holding of Common ADSs, must be made pursuant to Annex V to CMN Resolution No. 1,289, as amended by CMN Resolution No. 1,927 also known as the Annex V Regulations. Direct investments in the preferred shares upon the cancellation of the Preferred ADSs, or in the common shares upon the cancellation of the Common ADSs, may be held by foreign investors under Law No. 4,131 of September 3, 1962 or CMN Resolution No. 2,689 of January 26, 2000, both of which effectively allow registered foreign investors to invest substantially in any capital market instrument in Brazil and extend a favorable tax treatment to all foreign investors registered and qualified under CMN Resolution No. 2,689, who are not resident in a tax haven, as defined by Brazilian tax laws.

Under CMN Resolution No. 2,689, foreign investors may invest in almost all financial assets and engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements are fulfilled. In accordance with CMN Resolution No. 2,689, the definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities that are domiciled or headquartered abroad.

Securities and other financial assets held by CMN Resolution No. 2,689 investors must be registered or maintained in deposit accounts or in the custody of an entity duly licensed by the Central Bank or the CVM. In addition, any transfer of a security that is held pursuant to CMN Resolution No. 2,689 must be made through the stock exchanges or organized OTC markets licensed by the CVM, except for a transfer resulting from a corporate reorganization outside of Brazil or occurring upon the death of a foreign investor by operation of law or will.

Holders of Preferred ADSs or Common ADSs who have not registered their investment with the Central Bank could be adversely affected by delays in, or refusals to grant, any required government approval for conversions of payments made in *reais* and remittances abroad of these converted amounts.

The Annex V Regulations provide for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. The Preferred ADSs have been approved under the Annex V Regulations by the Central Bank and the CVM, and the Common ADSs have been approved by the CVM (since authorization from the Central Bank is no longer necessary).

Electronic certificates of registration have been issued in the name of Citibank, N.A., the depositary bank, with respect to the Preferred ADSs and the Common ADSs, and are maintained by Citibank Distribuidora de Títulos e Valores Mobiliários S.A., the Brazilian custodian for the preferred shares and the common shares, on behalf of the depositary bank. These electronic certificates of registration are registered through the Central Bank Information System. Pursuant to the certificates of registration, the custodian and the depositary bank are able to convert dividends and other distributions or sales proceeds with respect to the preferred shares represented by Preferred ADSs and the common shares represented by the Common ADSs into foreign currency and remit the proceeds outside Brazil.

In the event that a holder of Preferred ADSs exchanges such Preferred ADSs for preferred shares, or a holder of Common ADSs exchanges such Common ADSs for common shares, such holder will be entitled to continue to rely on the depositary bank's certificate of registration for five business days after the exchange. Thereafter, the holder may not be able to convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, the preferred shares or the common shares, unless the holder is a duly qualified investor under Resolution No. 2,689 by registering with the CVM and the Central Bank and appointing a representative in Brazil. If not so registered, the holder will be subject to less favorable Brazilian tax treatment than a holder of Preferred ADSs or Common ADSs. Regardless of qualification under Resolution No. 2,689, residents in tax havens are subject to less favorable tax treatment than other foreign investors. See

Taxation Brazilian Tax Considerations.

Under current Brazilian legislation, the Federal Government may impose temporary restrictions of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. For approximately nine months in 1989 and early 1990, the Federal Government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors, in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with Federal Government directives. We cannot assure you that the Federal Government will not impose similar restrictions on foreign repatriations in the future.

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Taxation

The following summary contains a description of the material Brazilian and U.S. federal income tax consequences of the purchase, ownership and disposition of preferred shares, common shares, Preferred ADSs or Common ADSs by a United States person, as defined in section 7701(a)(30) of the Internal Revenue Code of 1986, or the Code, or a holder that otherwise will be subject to U.S. federal income tax on a net income basis in respect of preferred shares, common shares, Preferred ADSs or Common ADSs, which we refer to as a U.S. holder, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase preferred shares, common shares, Preferred ADSs or Common ADSs. In particular this summary deals only with U.S. holders that will hold preferred shares, common shares, Preferred ADSs or Common ADSs as capital assets and does not address the tax treatment of U.S. holders that own or are treated as owning 10% or more of the voting shares of the Company or that may be subject to special tax rules, such as banks or other financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities that elect to mark to market, pass-through entities such as partnerships or persons that will hold preferred shares, common shares, Preferred ADSs or Common ADSs as part of a hedging transaction, constructive sale transaction, position in a straddle or a conversion transaction for tax purposes, and persons that have a functional currency other than the U.S. dollar. Moreover, this summary does not describe any implications under U.S. state or local law or the federal estate tax, gift tax or Medicare tax on net investment income.

The summary is based upon tax laws of Brazil and the United States as in effect on the date hereof which are subject to change possibly with retroactive effect. Prospective purchasers of Preferred ADSs or Common ADSs are encouraged to consult their own tax advisors as to the Brazilian, U.S. or other tax consequences of the purchase, ownership and disposition of preferred shares, common shares, Preferred ADSs or Common ADSs, including, in particular, the effect of any foreign, state or local tax laws.

Although there is currently no income tax treaty in force between Brazil and the United States, the tax authorities of both countries have had discussions that may culminate in such a treaty. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect the U.S. holders of preferred shares, common shares, Preferred ADSs or Common ADSs.

Brazilian Tax Considerations

General The following discussion summarizes the main Brazilian material tax consequences of the acquisition, ownership and disposal of preferred shares, common shares, Preferred ADSs or Common ADSs, as the case may be, by a holder that is not domiciled in Brazil, which we refer to as a non-Brazilian holder for purposes of Brazilian taxation. In the case of a holder of preferred shares or common shares, we assume the investment is registered with the Central Bank. The following discussion does not address all of the Brazilian tax considerations applicable to any particular non-Brazilian holder. Therefore, each non-Brazilian holder should consult his or her own tax adviser concerning the Brazilian tax consequences of an investment in our preferred shares, common shares, Preferred ADSs or Common ADSs.

Taxation of Dividends Dividends paid by us, including stock dividends and other dividends paid in property to the depositary in respect of the preferred shares or common shares, or to a non-Brazilian holder in respect of the preferred shares or common shares, are currently exempted from withholding tax in Brazil to the extent that the dividends are paid out of profits generated as of January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding tax at varying rates, depending on the year the profits were generated.

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Payments of Interest on Capital Law No. 9,249, dated as of December 26, 1995, as amended, permits Brazilian corporations to make distributions to shareholders of interest on equity, or interest attributed to shareholders' equity. These distributions may be paid in cash. Such payments represent a deductible expense from the payor's income tax and social contribution tax basis. This interest is limited to the daily pro rata variation of the Federal Government's long-term interest rate, as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50% of net income (after the social contribution on net profits and before the provision for corporate income tax, and the amounts attributable to shareholders as interest on net equity) for the period in respect of which the payment is made; or
- 50% of the sum of retained earnings and earnings reserves as of the date of the beginning of the period in respect of which the payment is made.

Any payment of interest on capital to shareholders (including holders of Preferred ADSs in respect of preferred shares and Common ADSs in respect of common shares) is subject to a withholding tax at a rate of 15%, or 25% if the non-Brazilian holder is domiciled in a jurisdiction that does not impose income tax or where the maximum income tax rate is lower than 20% or where the

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local legislation imposes restrictions on disclosing the shareholding composition or the ownership of the investment, or a Tax Haven Holder. These payments may be included, at their net value, as part of any mandatory dividend.

On June 24, 2008, Law No. 11,727 was enacted, which established the concept of privileged tax regime. Under this new law, a privileged tax regime is considered to apply to a jurisdiction that meets any of the following requirements: (1) does not tax income or taxes income at a maximum rate lower than 20%; (2) grants tax advantages to a non-resident entity or individual (a) without requiring substantial economic activity in the jurisdiction of such non-resident entity or individual or (b) to the extent such non-resident entity or individual does not conduct substantial economic activity in the jurisdiction of such non-resident entity or individual; (3) does not tax income generated abroad, or imposes tax on income generated abroad at a maximum rate lower than 20%, or (4) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about the execution of economic transactions.

Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the concept of privileged tax regime should apply only for the purposes of Brazilian transfer pricing rules, it is unclear whether such concept would also apply to investments carried out in the Brazilian financial and capital markets for purposes of this law. There is no judicial guidance as to the application of Law No. 11,727 of June 24, 2008 and, accordingly, we are unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts would decide that the privileged tax regime concept shall be applicable to deem a Non-Resident Holder as a Tax Haven Resident when carrying out investments in the Brazilian financial and capital markets. However, in the event that the privileged tax regime concept is interpreted to be applicable to transactions carried out in the Brazilian financial and capital markets, this tax law would accordingly result in the imposition of taxation to a Non-Resident Holder that meets the privileged tax regime requirements in the same way applicable to a Tax Haven Resident.

To the extent that payments of interest on capital are included as part of a mandatory dividend, we are required to distribute an additional amount to ensure that the net amount received by shareholders, after payment of the applicable withholding tax is at least equal to the mandatory dividend.

Distributions of interest on net equity to foreign holders may be converted into U.S. dollars and remitted outside Brazil, subject to applicable exchange controls, to the extent that the investment is registered with the Brazilian Central Bank.

We cannot assure you that our Board of Directors will not determine that future distributions should be made by means of dividends or interest on net equity.

Taxation of Gains According to Law No. 10,833/03, the gains recognized on a disposal of assets located in Brazil, such as our shares, by a non-Brazilian holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposal is conducted in Brazil or abroad and/or if the disposal is made or not to an individual or entity resident or domiciled in Brazil.

As a general rule, capital gains realized as a result of a disposal transaction are the positive difference between the amount realized on the disposal of the asset and the respective acquisition cost.

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Capital gains realized by non-Brazilian holders on the disposal of shares sold on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market):

- are subject to the withholding income tax at a zero percent rate, when realized by a non-Brazilian holder that (i) has registered its investment in Brazil before the Central Bank under the rules of the Brazilian Monetary Counsel , or a Registered Holder, and (ii) is not a Tax Haven Holder; and
- are subject to income tax at a rate of 15% with respect to gains realized by a non-Brazilian holder that is not a Registered Holder (including a non-Brazilian holder who qualifies under Law No. 4,131/62) and gains earned by Tax Haven Holders that are Registered Holders. In this case, a withholding income tax of 0.005% shall be applicable and can be offset against any income tax due on the capital gain.

Any other gains realized on the disposal of shares that are sold on the Brazilian stock exchange:

- are subject to income tax at a rate of 15% when realized by any non-Brazilian holder that is not a Tax Haven Holder, no matter if a Registered Holder or not; and
- are subject to income tax at a rate of 25% when realized by a Tax Haven Holder, no matter if a Registered Holder or not.

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In the cases above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable and can be offset against any income tax due on the capital gain.

Any exercise of preemptive rights relating to shares will not be subject to Brazilian income tax. Gains realized by a non-Brazilian holder on the disposal of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposal of shares.

There can be no assurance that the current favorable tax treatment of Registered Holders will continue in the future.

Sale of Preferred ADSs and Common ADSs by U.S. Holders to Other Non-Residents in Brazil Pursuant to Section 26 of Law No. 10,833, published on December 29, 2003, the sale of property located in Brazil involving non-resident investors is subject to Brazilian income tax as of February 1, 2004. Our understanding is that ADSs do not qualify as property located in Brazil and, thus, should not be subject to the Brazilian withholding tax. Insofar as the regulatory norm referred to in Section 26 is recent and generic and has not been tested through the administrative or judicial courts, we are unable to assure the final outcome of such discussion.

If such argument does not prevail, it is important to mention that with respect to the cost of acquisition to be adopted for calculating such gains, Brazilian law has conflicting provisions regarding the currency in which such amount must be determined. CEMIG's Brazilian counsel's view is that the capital gains should be based on the positive difference between the cost of acquisition of the preferred shares or common shares registered with the Brazilian Central Bank in foreign currency and the value of disposal of those preferred shares or common shares in the same foreign currency. This view has been supported by a precedent issued by the Brazilian administrative court. However, considering that tax authorities are not bound by such precedent, assessments have been issued adopting the cost of acquisition in Brazilian currency.

Gains on the Exchange of Preferred ADSs for Preferred Shares or the Exchange of Common ADSs for Common Shares Although there is no clear regulatory guidance, the exchange of ADSs for shares should not be subject to Brazilian tax. Non-Brazilian holders may exchange Preferred ADSs for the underlying preferred shares or Common ADSs for the underlying common shares, sell the preferred shares or common shares on a Brazilian stock exchange and remit abroad the proceeds of the sale within five business days from the date of exchange (in reliance on the depository's electronic registration), with no tax consequences. Although there is no clear regulatory guidance, the exchange of ADSs for shares should not be subject to Brazilian withholding income tax.

Upon receipt of the underlying preferred shares in exchange for Preferred ADSs or the underlying common shares in exchange for Common ADSs, non-Brazilian holders may also elect to register with the Central Bank the U.S. dollar value of such preferred shares or common shares as a foreign portfolio investment under Resolution No. 2689/00, which will entitle them to the tax treatment referred above in connection with U.S. market investors.

Alternatively, the non-Brazilian holder is also entitled to register with the Central Bank the U.S. dollar value of such preferred shares or common shares as a foreign direct investment under Law 4,131/62, in which case the respective sale would be subject to the tax treatment referred in the section Taxation of Gains.

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Gains on the Exchange of Preferred Shares for Preferred ADSs or Common Shares for Common ADSs The deposit of preferred shares in exchange for the Preferred ADSs or common shares in exchange for the Common ADSs may be subject to Brazilian income tax on capital gains if the amount previously registered with the Central Bank as a foreign investment in preferred shares or common shares or, in the case of other market investors under Resolution No. 2,689, the acquisition cost of the preferred shares or common shares, as the case may be, is lower than:

- the average price per preferred share or common share on the Brazilian stock exchange on which the greatest number of such preferred shares or common shares were sold on the day of deposit; or
- if no preferred shares or common shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of preferred shares or common shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the preferred shares or common shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of 15% or 25% for Tax Haven Holders. Although there is no clear regulatory guidance, such taxation should not apply in case of Non-Resident Holders registered under Resolution No. 2,689/00, other than Tax Haven Residents.

Taxation of Foreign Exchange Transactions Brazilian law imposes a Tax on Foreign Exchange Transactions, or IOF/ Exchange tax, due on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. Currently,

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IOF/Exchange is imposed at a rate of 2% on the inflow of resources into Brazil for investments carried out by Non-Resident Holders in the Brazilian financial and capital markets under regulations issued by the CMN. The outflow of funds related to investments carried out by Non-Resident Holders in the Brazilian financial and capital markets, as well as the remittance of dividends and interest on shareholders' equity are subject to IOF/Exchange at a zero percent rate. Although it is not clearly regulated, the conversion of *reais* into dollars for payment of dividends to holders of ADSs should also benefit from the zero percent IOF/Exchange rate.

Tax on Transactions Involving Bonds and Securities. Brazilian law imposes a Tax on Transactions Involving Bonds and Securities, or IOF/Bonds Tax, including those carried out on a Brazilian stock exchange. The rate of IOF applicable to transactions involving stocks (such as our preferred shares, Preferred ADSs, common shares and Common ADSs) is currently zero, although the Minister of Finance is permitted to increase such rate at any time up to 1.5% per day, but only in respect to future transactions.

Other Brazilian Taxes Some Brazilian states impose gift and inheritance tax on gifts or bequests made by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of preferred shares, common shares, Preferred ADSs or Common ADSs.

U.S. Tax Considerations

In general, for U.S. federal income tax purposes, holders of ADRs evidencing ADSs will be treated as the beneficial owners of the common shares or preferred shares represented by those ADSs.

Taxation of Distributions Distributions with respect to the shares or the ADSs (other than distributions in redemption of the shares subject to Section 302(b) of the Code or in a liquidation of the Company) will, to the extent made from current or accumulated earnings and profits of the Company as determined under U.S. federal income tax principles, constitute dividends. Whether such current or accumulated earnings and profits will be sufficient for all such distributions on the shares or ADSs to qualify as dividends for U.S. federal income tax purposes depends on the future profitability of the Company and other factors, many of which are beyond the control of the Company. To the extent that such a distribution exceeds the amount of the Company's earnings and profits, it will be treated as a non-taxable return of capital to the extent of the U.S. holder's basis in the shares or ADSs, and thereafter as capital gain (provided that the shares or ADSs are held as capital assets). As used below, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes. Cash dividends (including amounts withheld in respect of Brazilian taxes) paid with respect to (i) the shares generally will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder or (ii) the shares represented by ADSs generally will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the depositary bank and, in either case, will not be eligible for the dividends received deduction allowed to corporations. Dividends paid in *reais* will be includible in the income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day they are received by the U.S. holder, in the case of shares, or the depositary bank, in the case of shares represented by ADSs.

If dividends paid in *reais* are converted into U.S. dollars on the day they are received by the U.S. holder or the depositary bank, as the case may be, U.S. holders generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss if any *reais* received by the U.S. holder or the depositary bank are not converted into U.S. dollars on the date of receipt, as well as the tax consequences of the receipt of any additional *reais* from the custodian on account of Brazilian inflation.

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Dividends generally will constitute foreign source income and generally will constitute passive category income or, in the case of certain U.S. holders, general category income, for foreign tax credit purposes. In the event Brazilian withholding taxes are imposed on such dividends, such taxes may be treated as a foreign income tax eligible, subject to generally applicable limitations and conditions under U.S. federal income tax law, for credit against a U.S. holder's U.S. federal income tax liability (or at a U.S. holder's election, may be deducted in computing taxable income). The calculation and availability of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involves the application of rules that depend on a U.S. holder's particular circumstances. In the event Brazilian withholding taxes are imposed, U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits with respect to Brazilian withholding taxes.

Distributions to U.S. holders of additional shares of common stock or preemptive rights relating to such common stock with respect to their common shares or Common ADSs that are made as part of a pro rata distribution to all shareholders of the Company generally will not be treated as dividend income for U.S. federal income tax purposes, but could result in additional U.S.-source taxable gain upon the sale of such additional shares or preemptive rights. Non-pro rata distributions of such shares or rights generally would be includible in the U.S. holder's gross income to the same extent and in the same manner as distributions payable in cash. In that event, the amount of such distribution (and the basis of the new shares or preemptive rights so received) generally will

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equal the fair market value of the shares or preemptive rights on the date of distribution. It is not entirely clear whether the preferred shares will be treated as preferred stock or common stock for this purpose. If the preferred shares are treated as common stock for this purposes the treatment above would apply to distributions of shares or preemptive rights with respect to preferred shares or Preferred ADSs, On the other hand, if the preferred shares are treated as preferred stock a distribution of additional shares or preemptive rights would be includible in gross income to the same extent as a cash distribution whether or not such distribution is considered a pro rata distribution.

A holder of shares or ADSs that is not a U.S. holder generally will not be subject to U.S. federal income or withholding tax on dividends received on shares or ADSs, unless such income is effectively connected with the conduct by the holder of a trade or business in the United States.

Qualified Dividend Income Notwithstanding the foregoing, certain dividends received by individual U.S. holders that constitute qualified dividend income currently may be subject to a reduced maximum marginal U.S. federal income tax rate. Qualified dividend income generally includes, among other dividends, dividends received during the taxable year from qualified foreign corporations. In general, a foreign corporation is treated as a qualified foreign corporation with respect to any dividend paid by the corporation with respect to stock of the corporation that is readily tradable on an established securities market in the United States. For this purpose, a share is treated as readily tradable on an established securities market in the United States if an ADR backed by such share is so traded.

Notwithstanding this previous rule, dividends received from a foreign corporation that is a passive foreign investment company (as defined in section 1297 of the Code), or in either the taxable year of the corporation in which the dividend was paid or the preceding taxable year will not constitute qualified dividend income. In addition, the term qualified dividend income will not include, among other dividends, any (i) dividends on any share or ADS which is held by a taxpayer for 60 days or less during the 120-day period beginning on the date which is 60 days before the date on which such share or the shares backing the ADS become ex-dividend with respect to such dividends (as measured under section 246(c) of the Code) or (ii) dividends to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respects to positions in substantially similar or related property. Moreover, special rules apply in determining a taxpayer's foreign tax credit limitation under section 904 of the Code in the case of qualified dividend income.

Individual U.S. holders should consult their own tax advisors to determine whether or not amounts received as dividends from us will constitute qualified dividend income subject to a reduced maximum marginal U.S. federal income tax rate and, in such case, the effect, if any, on the individual U.S. holder's foreign tax credit.

Taxation of Capital Gains Deposits and withdrawals of shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Gain or loss realized by a U.S. holder on the sale, redemption or other disposition of shares or ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between such U.S. holder's basis in the shares or the ADSs and the amount realized on the disposition. Gain realized by a U.S. holder on a sale, redemption or other disposition of shares or ADSs, including gain that arises because the U.S. holder's basis in the shares or ADSs has been reduced because a distribution is treated as a return of capital rather than as a dividend, generally will be treated as U.S. source income for U.S. foreign tax credit purposes.

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If a Brazilian withholding tax or income tax is imposed on the sale or disposition of shares or ADSs as described in Taxation Brazilian Tax Considerations, the amount realized by a U.S. holder will include the gross amount of the proceeds of such sale or disposition before deduction of the Brazilian withholding tax or income tax if applicable. The availability of U.S. foreign tax credits for these Brazilian taxes and any Brazilian taxes imposed on distributions that do not constitute dividends for U.S. tax purposes is subject to certain limitations and involves the application of rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, shares or ADSs.

A holder of shares or ADSs that is not a U.S. holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale of shares or ADSs, unless (i) such gain is effectively connected with the conduct by the holder of a trade or business in the United States or (ii) in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Information Reporting and Backup Withholding Information reporting requirements will generally apply to U.S. holders of ADSs and U.S. holders will be required to comply with applicable certification procedures to establish that they are not subject to back up withholding. A holder of ADSs that is not a U.S. holder may be required to comply with applicable certification procedures to

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establish that they are not United States persons in order to avoid the application of U.S. information reporting requirements and backup withholding tax.

Dividends and Paying Agents

We pay dividends on preferred shares and common shares in the amounts and in the manner set forth under Item 8. Financial Information Dividend Policy and Payments. We will pay dividends in respect of preferred shares represented by Preferred ADSs or common shares represented by Common ADSs to the custodian for the depositary bank, as record owner of the preferred shares represented by Preferred ADSs or the common shares represented by Common ADSs. As promptly as practicable after receipt of the dividends we pay through Citibank N.A. to the custodian, it will convert these payments into U.S. dollars and remit such amounts to the depositary bank for payment to the holders of Preferred ADSs or Common ADSs in proportion to individual ownership.

Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. In accordance with these requirements, we file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of the materials may be obtained from the SEC's Public Reference Room at prescribed rates. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, copies of the exhibits that accompany this annual report may be inspected at our principal executive offices located at Avenida Barbacena, 1200, 30190-131 Belo Horizonte, Minas Gerais, Brazil.

Insurance

We have insurance policies to cover damages to our headquarters building and to the turbines, generators and transformers of our major power plants and substations caused by fire and risks such as equipment failures. We also have insurance policies to cover damages to aircrafts used in connection to our operations. We do not have general third party liability insurance covering accidents and have not solicited bids related to this type of insurance. However, we may contract for this type of insurance in the future. In addition, we have not solicited bids for, nor do we carry, insurance coverage for major catastrophes affecting our facilities such as earthquakes and floods or for operating system failures. We do not have insurance coverage for business interruption risk, which means damages we suffer and consequential damages suffered by our consumers resulting from an interruption in power distribution are generally not covered by our insurance and we may be subject to significant related losses. See Item 3. Key Information Risk Factors Risks Relating to CEMIG We operate without general third party liability and catastrophe insurance policies.

We believe that, since we have contracted for fire and operational risk insurance, our insurance coverage will be at a level that is customary in Brazil for the type of businesses in which we are engaged.

Difficulties of Enforcing Civil Liabilities Against Non-U.S. Persons

We are a state-controlled mixed capital company established under the laws of Brazil. All of our executive officers and directors presently reside in Brazil. In addition, substantially all of our assets are located in Brazil. As a result, it will be necessary for holders of Preferred ADSs or Common ADSs to comply with Brazilian law in order to obtain an enforceable judgment against our executive officers or directors or our assets. It may not be possible for holders of Preferred ADSs or Common ADSs to effect service of process within the United States upon our executive officers and directors, or to realize in the United States upon judgments against these persons obtained in U.S. courts based upon civil liabilities of these persons, including any judgments based upon U.S. federal securities laws, to the extent these judgments exceed these persons' U.S. assets. We have been advised by Brazilian counsel, Machado, Meyer, Sendacz e Opice Advogados, that judgments of U.S. courts for civil liabilities based upon the federal securities laws of the United States may be, subject to the requirements described below, enforced in Brazil. A judgment against us, or the persons described above obtained outside Brazil without reconsideration of the merits, is subject to confirmation by the Brazilian Superior Court of Justice. That confirmation will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process is made in accordance with Brazilian law;
- is not subject to appeal;
- is for the payment of a sum certain;

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- is authenticated by a Brazilian consular officer in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty, public policy or public morality.

We cannot assure you the confirmation process described above will be conducted in a timely manner or that Brazilian courts would enforce a monetary judgment for violation of the United States securities laws with respect to the Preferred ADSs and the preferred shares represented by the Preferred ADSs or the Common ADSs and the common shares represented by the Common ADSs.

We were further advised by respective Brazilian counsel that:

- original actions based on the federal securities laws of the United States may be brought in Brazilian courts and that, subject to Brazilian public policy and national sovereignty, Brazilian courts will enforce liabilities in such actions against us and our officers; and
- the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching our assets or those of the selling shareholders is limited by provisions of Brazilian law.

A plaintiff (whether Brazilian or non-Brazilian) residing outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that could secure such payment. The bond must have a value sufficient to satisfy the payment of court fees and defendant's attorney fees, as determined by a judge in Brazil. This requirement does not apply to a proceeding to enforce a foreign judgment which has been confirmed by the Brazilian Superior Court of Justice.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in foreign currency exchange rates and interest rates.

We are exposed to foreign exchange risk because certain of our loans and financings are denominated in currencies (primarily the U.S. dollar) other than the currency in which we earn revenues (the *real*). Despite the fact that our electricity purchases from Itaipu, which represented R\$865 million in 2009, are denominated in U.S. dollars, the related foreign exchange risk is no longer reflected in our operating revenues and operating expenses due to rate legislation changes in 2001 which allow electricity utilities such as us to record exchange rate losses related to Itaipu purchases as deferred regulatory assets. See Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates.

Exchange Rate Risk

At December 31, 2009, approximately 2.0% of our outstanding indebtedness, or R\$190 million, was denominated in foreign currencies, of which approximately 90.0%, or R\$171 million, was denominated in U.S. dollars. We do not have substantial revenues denominated in any foreign currencies and, due to regulations that require us to keep excess cash on deposit in *real*-denominated accounts at Brazilian banks, we do not have monetary assets denominated in foreign currencies.

In 2009, we used financial instruments such as interest rate swaps to hedge our foreign exchange rate exposure. The purpose of the swaps was to reduce our exposure on the original interest rate of certain financing from an interest rate calculated based on the U.S. dollar/*real* exchange rate to an interest rate calculated based on the CDI rate. See Notes 2(d), 14, 22, 24 and 25 to our consolidated financial statements.

In 2010, the potential loss we would experience in the event of a hypothetical 20% depreciation of the *real* against the U.S. dollar and other foreign currencies would be approximately R\$36 million related principally to loans and financing and primarily due to an increase in our *real*-denominated interest expense, which would be reflected on our income statement. In 2010, a hypothetical 20% depreciation of the *real* against the U.S. dollar would result in an additional annual cash outflow of approximately R\$241.8 million, reflecting the increased cost in *reais* of servicing foreign currency-denominated indebtedness from loans, financings and debentures and increased purchasing power relating to Itaipu. This sensitivity analysis assumes a simultaneous unfavorable 20% fluctuation in each of the exchange rates affecting the foreign currencies in which our indebtedness, the related interest expense and the expenses relating to the purchase of energy from Itaipu are denominated. This sensitivity analysis also assumes that the unfavorable fluctuation in the exchange rate affecting the purchase of energy from Itaipu would affect the annual cash payments but would not affect the expense recorded on the statement of operations, since the additional currency exchange expense would be recorded as a deferred regulatory asset.

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The tables below provide summary information regarding our exposure to exchange rate risk as of December 31, 2009:

| | R\$ (Million) |
|---|------------------|
| U.S. Dollar | |
| Financing | 171 |
| Plus Contracted derivative instruments | 8 |
| | 179 |
| Other Currencies | |
| Financing | 19 |
| Net liabilities exposed to exchange rate risk | 198 |

Interest Rate Risk

At December 31, 2009, we had R\$9,277 million in loans and financing outstanding, of which approximately R\$8,770 million bore interest at floating rates. Of this R\$8,770 million, R\$8,734 million is subject to monetary restatement through the application of inflation indices established by the Federal Government, principally the IGP-M, and R\$36 million is subject principally to LIBOR.

At December 31, 2009, we had liabilities, net of other assets, that bore interest at floating rates in the amount of R\$2,812 million. These assets consisted mainly of our account receivable from the State Government and deferred regulatory assets, partially offset by CCEE obligations, bearing interest at rates tied to IGP-DI and SELIC, respectively, as summarized in the tables below. A hypothetical, instantaneous and unfavorable change of 100 basis points in interest rates applicable to floating rate financial assets and liabilities held at December 31, 2009 would result in a potential loss of R\$28.12 million to be recorded as a financial expense in our consolidated financial statements.

Total Debt Portfolio

| | R\$ (Million) |
|------------------------------|------------------|
| Floating rate debt: | |
| <i>Real</i> -denominated | 8,734 |
| Foreign currency-denominated | 36 |
| | 8,770 |
| Fixed rate debt: | |
| Foreign currency-denominated | 154 |
| Total | 8,924 |

| | Total Portfolio Floating Rate (R\$million) |
|---------------------------|--|
| Assets: | |
| Cash and cash equivalents | 3,811 |

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| | |
|--|-------|
| Account receivable from State Government | 1,824 |
| Deferred regulatory assets | 323 |
| Total | 5,958 |

Liabilities:

| | |
|--|---------|
| Account payable to suppliers-payment to generator for energy purchased on the CCEE | |
| Financings (Floating Rate) | (8,770) |
| Derivative instruments (1) | |
| Total liabilities | (8,770) |
| Total | (2,812) |

(1) Swaps to reduce our exposure on the original interest rate of certain financing from an interest rate calculated based on the U.S. dollar/*real* exchange rate to an interest rate calculated based on the CDI rate.

Table of Contents**Item 12. Description of Securities Other than Equity Securities****American Depositary Shares**

Citibank, N.A. serves as the depositary (the *Depositary*) for both our Common ADSs and Preferred ADSs. Holders of ADSs, any person or entity having a beneficial interest deriving from the ownership of the ADSs, and persons depositing shares or surrendering ADSs for cancellation and withdrawal of Deposited Securities (as defined in the Deposit Agreements) are required to pay to the Depositary certain fees and related charges as identified below.

The fees associated with our Common ADSs are as follows:

| Service | Rate | By Whom Paid |
|---|---|---|
| (1) Issuance of Common ADSs upon deposit of common shares (excluding issuances as a result of distributions described in paragraph (4) below). | Up to \$5.00 per 100 Common ADSs (or fraction thereof) issued. | Person depositing common shares or person receiving Common ADSs. |
| (2) Delivery of Deposited Securities, property and cash against surrender of Common ADSs. | Up to \$5.00 per 100 Common ADSs (or fraction thereof) surrendered. | Person surrendering Common ADSs for purpose of withdrawal of Deposited Securities or person to whom Deposited Securities are delivered. |
| (3) Distribution of cash dividend or other cash distributions (<i>i.e.</i> sale of rights and other entitlements). | Up to \$2.00 per 100 Common ADSs (or fraction thereof) held. | Person to whom distribution is made. |
| (4) Distribution of Common ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional Common ADSs. | Up to \$5.00 per 100 Common ADSs (or fraction thereof) issued. | Person to whom distribution is made. |
| (5) Distribution of securities other than Common ADSs or rights to purchase additional Common ADSs (<i>i.e.</i> spin off shares). | Up to \$5.00 per 100 Common ADSs (or fraction thereof) issued. | Person to whom distribution is made. |
| (6) Transfer of ADRs. | \$1.50 per certificate presented for transfer. | Person presenting certificate for transfer. |

The fees associated with our Preferred ADSs are as follows:

| Service | Rate | By Whom Paid |
|--|--|---|
| (1) Issuance of Preferred ADSs upon deposit of preferred shares (excluding issuances contemplated by paragraphs (3)(b) and (5) below). | Up to \$5.00 per 100 Preferred ADSs (or fraction thereof) issued. | Person for whom deposits are made or person receiving Preferred ADSs. |
| (2) Delivery of Deposited Securities, property and cash against surrender of Preferred ADSs. | Up to \$5.00 per 100 Preferred ADSs (or fraction thereof) surrendered. | Person surrendering Preferred ADSs or making withdrawal. |
| (3) Distribution of (a) cash dividend or (b) Preferred ADSs pursuant to stock dividends (or | No fee, so long as prohibited by the exchange upon which the Preferred | Person to whom distribution is made. |

other free distribution of stock).

ADSs are listed. If the charging of such fee is not prohibited, the fees specified in (1) above shall be payable in respect of a distribution of Preferred ADSs pursuant to stock dividends (or other free

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| | | |
|---|--|--------------------------------------|
| | distribution of stock) and the fees specified in (4) below shall be payable in respect of distributions of cash. | |
| (4) Distribution of cash proceeds (i.e., upon sale of rights and other entitlements). | Up to \$2.00 per 100 Preferred ADSs (or fraction thereof) held. | Person to whom distribution is made. |
| (5) Distribution of Preferred ADSs pursuant to exercise of rights. | Up to \$5.00 per 100 Preferred ADSs (or fraction thereof) issued. | Person to whom distribution is made. |

Direct and indirect depository payments

We have an agreement with the Depository to reimburse us, up to a limited amount, for certain expenses in connection with our ADR programs, including listing fees, legal and accounting expenses, proxy distribution costs and investor relation related expenses. These reimbursements for the year ended December 31, 2009 totaled approximately US\$ 3.1 million.

PART II**Item 13. Defaults, Dividend Arrearages and Delinquencies**

Certain of CEMIG's loans and financing agreements contain covenants that require us to maintain financial ratios, calculated in accordance with Brazilian Corporate Law. As of December 31, 2009, we were not in compliance with some covenants, such as:

- the Debt / EBITDA ratio, contained in a credit instrument among Cemig Distribution and Santander (originally ABN Amro Bank). Such ratio is required to be less than or equal to 2.5, and as of December 31, 2009, the ratio was 2.8, for both Cemig Distribution and CEMIG (as guarantor). Cemig Distribution and CEMIG have obtained a waiver from Santander.
- the Debt/(Shareholders' equity + Debt) ratio, contained in credit instruments among Cemig Generation and Transmission and Banco Itaú BBA and Banco BNP Paribás. Such ratio is required to be less than or equal to 53%, and as of December 31, 2009, the ratio was 61%. Cemig Generation and Transmission has obtained a waiver from the creditors that are parties to the agreements.
- the Short-term Debt/EBITDA ratio, contained in credit instruments among Cemig Generation and Transmission and Banco Itaú BBA. Such ratio is required to be less than or equal to 90%, and as of December 31, 2009, the ratio was 143% for Cemig Generation and Transmission and 115% for CEMIG (as guarantor). Cemig Generation and Transmission and CEMIG have obtained a waiver from the Banco Itaú BBA.
- the Capital Expenditure/EBITDA ratio, contained in credit instruments among Cemig Distribution and Banco Itaú BBA. Such ratio is required to be less than or equal to 60%, and as of December 31, 2009, the ratio was 91%. Cemig Distribution has obtained a waiver from Banco Itaú BBA.

All the obtained waivers affirm that the respective creditors will not exercise their rights to demand either accelerated or immediate payment of the total amount due until December 31, 2010.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our Executive Board, including our Chief Executive Officer, or CEO, and Chief Financial and Investor Relations Officer, or CFO, evaluated the effectiveness of our disclosure controls and procedures, and concluded that on December 31, 2009, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our filings and submissions under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our Executive Board, including our CEO and CFO, is responsible for establishing and maintaining effective internal controls over financial reporting.

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Our internal controls over financial reporting include policies and procedures that were implemented to provide reasonable assurance as to (i) the reliability of the recording accounting and financial information; (ii) the preparation of accounting records in accordance with U.S. GAAP; (iii) the processing of payments and receipts in accordance with management authorization; and (iv) the timely detection of inappropriate acquisitions, and the disposal or allocation of material assets. We emphasize that due to their inherent limitations, the possibility exists that these actions may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may decline.

Our management evaluated the effectiveness of our internal controls over financial reporting at December 31, 2009, based on the criteria established in the Integrated Internal Control Framework specified by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, and concluded that, for the year ended December 31, 2009, our system of internal controls over financial reporting is effective.

The Company's independent registered public accounting firm which audited our consolidated financial statements for the year ended December 31, 2009, KPMG Auditores Independentes, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 and issued an attestation report, which is included below.

The Ethics Committee

Our Ethics Committee was established on August 12, 2004, and is made up of three permanent members and three alternate members. It is responsible for the management, dissemination and updating of the Code of Professional Conduct.

The Committee receives and investigates all reports of violation of the ethical principles and standards of conduct, provided they are presented in a written document signed by the interested party and addressed to: CEMIG, Av. Barbacena 1200, SA/17th Floor/B2. The Committee may also be contacted by e-mail comissaodeetica@cemig.com.br.

In December 2006 we implemented the Anonymous Reporting Channel, available on our intranet. The purpose of this program is to receive, forward and investigate complaints of irregular practices, such as financial fraud, misappropriation of assets, receipt of unfair advantages, and the engagement of illegal contracts. This channel represents the Company aim of improving transparency, correcting unethical or illegal behavior and enhancing corporate governance, as well as being an instrument that meets the requirements of the Sarbanes-Oxley Act.

(c) **Attestation Report of the Registered Public Accounting Firm**

Report of Independent Registered Public Accounting Firm

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The Board of Directors and Shareholders of
Companhia Energética de Minas Gerais CEMIG:

We have audited Companhia Energética de Minas Gerais CEMIG (collectively, the Company) s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Company s management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying *Management s Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A Company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A Company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in

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accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Companhia Energética de Minas Gerais - CEMIG maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control - Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated balance sheets of Companhia Energética de Minas Gerais - CEMIG and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated June 28, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG Auditores Independentes

/s/ KPMG Auditores Independentes

Belo Horizonte, Brazil

June 28, 2010

(d) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the year ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

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Our Fiscal Council acts as our audit committee for purposes of the Sarbanes-Oxley Act of 2002. Under Section 10A-3 of the SEC rules on Audit Committees of listed companies, non-U.S. issuers are permitted not to have a separate Audit Committee made up of independent members if there is a Fiscal Council established and chosen in accordance with the legal rules of its origin country, expressly requiring or allowing that such council follow certain obligations. Also in accordance with this exemption, a Fiscal Council may exercise the obligations and responsibilities of an Audit Committee of the United States up to the limit permitted by Brazilian law. The financial experts of our Fiscal Council are Luiz Otávio Nunes West and Ari Barcelos da Silva.

Item 16B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our Chief Executive Officer, Chief Financial and Investor Relations Officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics was filed with the SEC as Exhibit 11 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003, and is also available on our website at www.cemig.com.br. If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver within five business days following the date of the amendment or waiver on our web site at www.cemig.com.br.

Item 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table summarizes the aggregate fees billed to us by KPMG Auditores Independentes during the fiscal years ended December 31, 2009 and 2008:

| | Year ended December 31, | |
|--------------------|-------------------------|-------|
| | 2009 | 2008 |
| | (thousands of reais) | |
| Audit fees | 1,688 | 1,005 |
| Tax fees | 199 | 82 |
| Audit-related fees | | 280 |
| Total fees | 1,887 | 1,367 |

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Audit fees Audit fees in the above table are the aggregate fees billed by KPMG Auditores Independents in 2009 and 2008, in connection with the audit of our annual financial statements prepared in accordance with the accounting practices adopted in Brazil and the United States and the review of our quarterly statutory financial statements.

Tax Fees Tax fees are fees for professional services in relation to tax return reviews (tax compliance).

Audit-Related Fees Audit-related fees are for diagnostic services in connection with the implementation of the IFRS.

Audit Committee Pre-Approval Policies and Procedures

Our Fiscal Council currently serves as our audit committee for purposes of the Sarbanes-Oxley Act of 2002. However, as required by Brazilian legislation, we have adopted pre-approval policies and procedures by which all audit and non-audit services provided by external auditors must be approved by the Board of Directors. Any service proposals submitted by external auditors need to be discussed and approved by the Board of Directors during its meetings. Once the proposed service is approved, we formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our Board of Directors.

Item 16D. Exemptions from the Listing Standards for Audit Committees

We are relying on the general exemption from the listing standards relating to audit committees contained in Rule 10A-3(c)(3) under the Exchange Act. We have a Fiscal Council that carries out the functions of an audit committee of the United States to the extent permitted under Brazilian law. Brazilian law requires our Fiscal Council to be separate from our board of directors, and members of our Fiscal Council are not elected by our management. Brazilian law provides standards for the independence of our Fiscal Council from our management. Our Fiscal Council, in accordance with its charter, makes recommendations to our board of directors regarding the appointment, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for our company, as Brazilian law requires that our board of directors appoint, retain and oversee the work of our independent public accountants.

We do not believe that our reliance on this general exemption will materially affect the ability of our Fiscal Council to act independently and to satisfy the other requirements of the listing standards relating to audit committees contained in Rule 10A-3 under the Exchange Act.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Corporate Governance Differences from NYSE Practices

On November 4, 2003, the New York Stock Exchange, or NYSE, established new corporate governance rules. Under the rules, foreign private issuers are subject to a more limited set of corporate governance requirements than U.S. domestic issuers. Under these rules, we are required to set forth in our annual report to shareholders a description of the significant differences between CEMIG's corporate governance practices and those that would apply to a U.S. domestic issuer under the NYSE corporate governance rules. The following table summarizes these differences.

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| Section | NYSE Corporate Governance Rule for U.S. Domestic Issuers | Our Approach |
|---------------------|--|--|
| 303A.01 | A listed company must have a majority of independent directors. Controlled companies are not required to comply with this requirement. | Under Section 303A of the rules of the New York Stock Exchange, controlled company is taken to include a company in which more than 50% of the voting power is held by one individual, a group or another company. Since 50.97% of the voting stock of CEMIG is held by the State of Minas Gerais, it is considered to be a controlled company. Therefore, this requirement currently does not apply to CEMIG. Nonetheless, the majority of the members of CEMIG's Board of Directors are independent members. |
| 303A.03 | The non-management directors of a listed company must meet at regularly scheduled executive sessions without management. | The non-management directors of CEMIG do not meet at regularly scheduled executive sessions without management. |
| 303A.04 | A listed company must have a nominating/corporate governance committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties. Controlled companies are not required to comply with this requirement. | As a controlled company, CEMIG is not be required to have a nominating/governance committee. Nonetheless, CEMIG has a Corporate Governance Committee, composed of dependent and independent directors, and its responsibilities are clearly defined in the internal regulations of the Board of Directors. |
| 303A.05 | A listed company must have a compensation committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties. Controlled companies are not required to comply with this requirement. | As a controlled company, CEMIG would not be required to comply with the compensation committee requirements as if it were a U.S. domestic issuer. CEMIG does not have a compensation committee. |
| 303A.06 and 303A.07 | A listed company must have an audit committee with a minimum of three independent directors that satisfy the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, with a written charter that covers certain minimum specified duties. | CEMIG exercised its prerogative under SEC Rule 10A-3 and the Sarbanes Oxley Act of 2002, which allow non U.S. issuers not to have an Audit Committee. Our Fiscal Council carries out the functions of an Audit Committee of the United States up to the limit permitted by Brazilian law. CEMIG's Fiscal Council is a permanent body, responsible, principally, for inspection and supervision of the activities of the management and for verifying the managers' compliance with their duties under the law and under the bylaws. |
| 303A.08 | Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exemptions set forth in the NYSE rules. | Under Brazilian Corporate Law, shareholder preapproval is required for the adoption of equity compensation plans. |
| 303A.09 | A listed company must adopt and disclose corporate governance guidelines that cover certain minimum specified subjects. | CEMIG's listing on BM&FBovespa is at Corporate Governance Level 1, and CEMIG is thus obliged to comply with the rules contained in those related regulations. |

In addition, CEMIG's Manual for Disclosure and Use of Information, its Securities Trading Policy, the Internal Regulations of its Board of Directors, and its Code of Ethics outline important rules of corporate governance which orient its management.

303A.12 Each listed company Chief Executive Officer must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards.

CEMIG's Chief Executive Officer will promptly notify the NYSE in writing after any executive officer of CEMIG becomes aware of any material non-compliance with any applicable provisions of the NYSE corporate governance rules.

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PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

Reference is made to pages F-1 through F-71 hereof.

The following financial statements are filed as part of this annual report on Form 20-F:

- Report of KPMG Auditores Independentes for the years 2009, 2008 and 2007

- Audited Consolidated Balance Sheets as of December 31, 2009 and 2008

- Audited Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2009, 2008 and 2007

- Audited Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2009, 2008 and 2007

- Audited Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007

- Notes to the Consolidated Financial Statements

Item 19. Exhibits

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The following documents are included as exhibits to this annual report:

| Exhibit Number | Document |
|---------------------------|---|
| 1 | Corporate by-laws of CEMIG, as amended and in effect since April 29, 2010. |
| 2.1 | Second Amended and Restated Deposit Agreement, dated as of August 10, 2001, by and among us, Citibank, N.A., as depositary, and the holders and beneficial owners of ADSs evidenced by ADRs issued thereunder (incorporated by reference to the Registration Statement on Form F-6 relating to the ADSs filed on August 20, 2001 (File No. 333-13826)). |
| 2.2 | Shareholders Agreement, dated June 18, 1997, between the State Government and Southern, relating to the rights and obligations of owners of our shares (incorporated by reference to Exhibit 2.1 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)). |
| 2.3 | Amendment No. 1 to the Second Amended and Restated Deposit Agreement, dated as of August 10, 2001, by and among us, Citibank, N.A., as depositary, and the holders and beneficial owners of ADSs evidenced by ADRs issued thereunder (incorporated by reference to the Registration Statement on Form F-6 relating to the ADSs filed on June 11, 2007 (File No. 333-143636)). |
| 2.4 | Deposit Agreement, dated as of June 12, 2007, by and among us, Citibank, N.A., as depositary, and the holders and beneficial owners of ADSs evidenced by ADRs issued thereunder (incorporated by reference to the Registration Statement on Form F-6 relating to the common share ADSs filed on May 7, 2007 (File No. 333-142654)). |
| 4.1 | Contract of Concession for Generating Electric Energy, dated July 10, 1997, between the Federal Government and us, relating to the provision of electric energy generation services to the public (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)). |

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- 4.2 Contract of Concession of Electric Energy Transmission Services, dated July 10, 1997, between the Federal Government and us, relating to the transmission of electric energy to the public (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)).
- 4.3 Second Amendment to the Electricity Transmission Concession Contract, dated September 16, 2005 (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)).
- 4.4 Third Amendment to the Electricity Transmission Concession Contract, for the Northern, Southern, Eastern, and Western geographic areas, dated April 13, 2010.
- 4.5 Contracts of Concession of Public Service for Distribution of Electric Energy, dated July 10, 1997, between the Federal Government and us, relating to the provision of electric energy distribution services to the public (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)).
- 4.6 First Amendment to the Electricity Distribution Concession Contract, dated March 31, 2005 (incorporated by reference to Exhibit 4.5 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)).
- 4.7 Second Amendment to the Electricity Distribution Concession Contract, dated September 16, 2005 (incorporated by reference to Exhibit 4.6 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)).
- 4.8 Contract for the Assignment of CRC Account, dated May 31, 1995, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.4 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)).
- 4.9 First Amendment to the Contract for the Assignment of CRC Account, dated February 24, 2001, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.5 to our Annual Report on Form 20-F filed on March 26, 2003 (File No. 1-15224)).
- 4.10 Second Amendment to the Contract for the Assignment of CRC Account, dated October 14, 2002, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.6 to our Annual Report on Form 20-F filed on March 26, 2003 (File No. 1-15224)).
- 4.11 Third Amendment to the Contract for the Assignment of CRC Account, dated October 24, 2002, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.7 to our Annual Report on Form 20-F filed on March 26, 2003 (File No. 1-15224)).
- 4.12 Fourth Amendment to the Contract for the Assignment of CRC Account, dated January 23, 2006, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.14 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)).
- 4.13 Announcement of Start of Public Distribution of Senior Units under CRC Account Securitization Fund, dated as of January 26, 2006 (incorporated by reference to Exhibit 4.15 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)).
- 4.14 Summary of Indenture Covering Public Distribution of Non-Convertible Unsecured Debentures, dated August 24, 2006, between Cemig Distribuição S.A. and Unibanco União dos Bancos Brasileiros S.A. (incorporated by reference to Exhibit 4.18 to our Registration Statement on Form 20-F filed on July 23, 2007 (File No. 1-15224)).
- 4.15 Summary of Indenture Covering Public Distribution of Non-Convertible Unsecured Debentures, dated April 17, 2007, between Cemig Geração e Transmissão S.A. and Unibanco União dos Bancos Brasileiros S.A. (incorporated by reference to Exhibit 4.19 to our Registration Statement on Form 20-F filed on July 23, 2007 (File No. 1-15224)).
- 4.16 Summary of Indenture Covering the Second Issuance of Debentures, dated December 19, 2007, between Cemig Distribuição S.A. and BB Banco de Investimento S.A. (incorporated by reference to Exhibit 4.20 to our Annual Report on Form 20-F filed on June 30, 2008 (File No. 1-15224)).

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- 4.17 Share Purchase Agreement, dated April 23, 2009, between Cemig Geração and Transmissão S.A., Terna Rete Elettrica Nazionale S.p.A., and CEMIG (incorporated by reference to Exhibit 4.22 to our Registration Statement on Form 20-F filed on June 19, 2009 (File No. 1-15224)).

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- 4.18 English Summary of Share Purchase Agreement between Companhia Energética de Minas Gerais CEMIG and Andrade Gutierrez Concessões S.A., dated December 30, 2009.
- 4.19 English Summary of Share Purchase Agreement between Companhia Energética de Minas Gerais CEMIG and Fundo de Investimento em Participações PCP, dated December 30, 2009.
- 4.20 English Summary of Put Option Agreement between Companhia Energética de Minas Gerais CEMIG and Enlighted Partners Venture Capital LLC, dated March 24, 2010.
- 8 List of Subsidiaries (incorporated by reference to Exhibit 8 to our Annual Report on Form 20-F filed on May 25, 2005 (File No. 1-15224)).
- 11 Code of Ethics (incorporated by reference to Exhibit 11 to our Annual Report on Form 20-F filed on July 1, 2004 (File No. 1-15224)).
- 12.1 Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
- 12.2 Chief Financial Officer, Investor Relations Officer and Control of Holding Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
- 13.1 Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
- 13.2 Chief Financial Officer, Investor Relations Officer and Control of Holding Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

COMPANHIA ENERGÉTICA DE MINAS
GERAIS - CEMIG

| | |
|--------|-----------------------------|
| By: | /s/ Djalma Bastos de Moraes |
| Name: | Djalma Bastos de Moraes |
| Title: | Chief Executive Officer |

Date: June 30, 2010

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Companhia Energética de Minas Gerais CEMIG

Financial Statements as of December 31, 2009 and December 2008 and for the Years Ended December 31, 2009, 2008 and 2007 and Report of Independent Registered Public Accounting Firm

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Companhia Energética de Minas Gerais – CEMIG:

We have audited the accompanying consolidated balance sheets of Companhia Energética de Minas Gerais – CEMIG and subsidiaries (collectively, the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Companhia Energética de Minas Gerais – CEMIG and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), Companhia Energética de Minas Gerais – CEMIG's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 28, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG Auditores Independentes

/s/ KPMG Auditores Independentes

Belo Horizonte, Brazil
June 28, 2010

Table of Contents**COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG****CONSOLIDATED BALANCE SHEETS****DECEMBER 31, 2009 AND 2008****(Expressed in millions of Brazilian reais)****ASSETS**

| | 2009 | 2008 |
|--|---------------|---------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents (note 6) | 3,904 | 1,969 |
| Accounts receivable, net (note 7) | 1,949 | 1,705 |
| Accounts receivable - use of basic transmission network | 364 | 439 |
| Deferred regulatory assets (note 4) | 263 | 754 |
| Deferred income tax assets (note 5) | 82 | 48 |
| Recoverable taxes (note 8) | 768 | 672 |
| Dividends | 81 | 86 |
| Escrow accounts | | 207 |
| Transmission tariff review (notes 4 and 27) | 83 | |
| Others | 384 | 336 |
| | 7,878 | 6,216 |
| INVESTMENTS IN AFFILIATES (note 9) | 3,329 | 1,203 |
| PROPERTY, PLANT AND, EQUIPMENT, NET (note 10) | 13,863 | 13,733 |
| INTANGIBLES (note 10) | 251 | 278 |
| | 14,114 | 14,011 |
| OTHER ASSETS: | | |
| Accounts receivable, net (note 7) | 32 | 17 |
| Deferred regulatory assets (note 4) | 60 | 332 |
| Transmission tariff review (notes 4 and 27) | 36 | |
| Recoverable taxes (note 8) | 210 | 253 |
| Deferred income tax assets (note 5) | 333 | 435 |
| Account receivable from Minas Gerais State Government (note 3) | 1,824 | 1,801 |
| Escrow deposits (note 11) | 663 | 351 |
| Other | 82 | 162 |
| | 3,240 | 3,351 |
| Total assets | 28,561 | 24,781 |

See accompanying notes to consolidated financial statements.

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COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

(Expressed in millions of Brazilian reais, except share amounts)

LIABILITIES AND SHAREHOLDERS EQUITY

| | 2009 | 2008 |
|--|--------|--------|
| CURRENT LIABILITIES: | | |
| Financing (note 14) | 3,913 | 1,197 |
| Accounts payable to suppliers (note 12) | 668 | 719 |
| Payroll and related charges | 341 | 279 |
| Taxes payable (note 13) | 451 | 471 |
| Regulatory liabilities - tariff review (notes 4 and 26) | | 214 |
| Dividends and interest on capital (note 18) | 954 | 960 |
| Employee profit sharing (note 21) | 97 | 117 |
| Regulatory charges payable (note 15) | 317 | 460 |
| Deferred income tax liabilities (note 5) | 27 | |
| Derivative financial instruments (note 24) | 78 | 94 |
| Employee post-retirement benefits (note 16) | 82 | 75 |
| Accrued liability for contingencies (note 17) | 128 | |
| Other | 329 | 303 |
| | 7,385 | 4,889 |
| LONG-TERM LIABILITIES: | | |
| Financing (note 14) | 5,364 | 5,314 |
| Taxes payable (note 13) | 338 | 106 |
| Regulatory charges payable (note 15) | 262 | 20 |
| Deferred income tax liabilities (note 5) | 216 | 148 |
| Accrued liability for contingencies (note 17) | 519 | 472 |
| Special obligations (note 2r) | 2,504 | 2,510 |
| Employee post-retirement benefits (note 16) | 1,308 | 1,765 |
| Other | 242 | 224 |
| | 10,753 | 10,559 |
| SHAREHOLDERS EQUITY: (note 18) | | |
| Share capital - | | |
| Preferred 349,222,649 thousand shares authorized and issued and 349,015,265 outstanding as of December 31, 2009. | 1,635 | 1,286 |
| Common 271,154,243 thousand shares authorized, issued and outstanding as of December 31, 2009. | 1,273 | 1,002 |
| | 2,908 | 2,288 |
| Additional paid-in capital | 3,170 | 3,170 |
| Appropriated retained earnings | 1,673 | 2,200 |

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| | | |
|--|--------|--------|
| Unappropriated retained earnings | 3,130 | 2,386 |
| Accumulated other comprehensive loss | (458) | (711) |
| | 10,423 | 9,333 |
| Total liabilities and shareholders' equity | 28,561 | 24,781 |

See accompanying notes to consolidated financial statements.

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COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in millions of Brazilian reais, except share and per share amounts)

| | 2009 | 2008 | 2007 |
|---|----------------|----------------|----------------|
| NET OPERATING REVENUES: | | | |
| Electricity sales to final customers (note 19a) | 10,994 | 10,497 | 10,191 |
| Electricity sales to the interconnected power system (note 19a) | 1,682 | 1,069 | 1,134 |
| Use of basic transmission network (note 19d) | 1,999 | 1,865 | 1,705 |
| Other operating revenues (note 19b) | 277 | 241 | 236 |
| Taxes on revenues (note 19c) | (3,852) | (3,844) | (3,836) |
| Total operating revenues, net | 11,100 | 9,828 | 9,430 |
| OPERATING COSTS AND EXPENSES: | | | |
| Electricity purchased for resale (note 20) | (3,061) | (2,267) | (2,147) |
| Use of basic transmission network | (756) | (634) | (564) |
| Depreciation and amortization | (711) | (769) | (878) |
| Personnel (note 20) | (1,190) | (1,004) | (884) |
| Regulatory charges (note 20) | (1,142) | (1,024) | (967) |
| Third-party services (note 20) | (729) | (605) | (550) |
| Employee post-retirement benefits (note 16) | (176) | (277) | (140) |
| Materials and supplies | (105) | (170) | (148) |
| Reversion (Provision) for loss on deferred regulatory assets (note 4) | 8 | (19) | (146) |
| Employee profit sharing (note 21) | (233) | (362) | (455) |
| Other (note 20) | (486) | (410) | (472) |
| Total operating costs and expenses | (8,581) | (7,541) | (7,351) |
| Operating income | 2,519 | 2,287 | 2,079 |
| FINANCIAL (EXPENSE) INCOME, NET (note 22) | (109) | 17 | (48) |
| NON OPERATING INCOME | | | |
| Equity in results of Investments | 165 | 204 | 223 |
| Gain on sale of Way TV | | | 49 |
| | 165 | 204 | 272 |
| Income before income taxes | 2,575 | 2,508 | 2,303 |
| INCOME TAXES (note 5) | | | |
| Current tax expense | (830) | (973) | (941) |
| Deferred tax benefit | 23 | 218 | 256 |
| | (807) | (755) | (685) |
| NET INCOME | 1,768 | 1,753 | 1,618 |

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| | | | |
|---|-------------|-------------|-------------|
| OTHER COMPREHENSIVE INCOME (LOSS): | | | |
| Pension Plan adjustments (note 16) | 383 | 453 | (605) |
| Deferred tax (expense) benefit | (130) | (154) | 205 |
| | 253 | 299 | (400) |
| COMPREHENSIVE INCOME | 2,021 | 2,052 | 1,218 |
| Weighted average number of common shares outstanding during the year (thousand) for purposes of calculating basic earnings | | | |
| | 271,154,243 | 271,154,243 | 265,778,129 |
| Weighted average number of preferred shares outstanding during the year (thousand) for purposes of calculating basic earnings | | | |
| | 349,015,265 | 348,963,420 | 342,039,463 |
| | 620,169,508 | 620,117,663 | 607,817,592 |
| Weighted average number of common shares outstanding during the year (thousand) for purposes of calculating diluted earnings | | | |
| | 273,850,193 | 274,634,801 | 278,078,200 |
| Weighted average number of preferred shares outstanding during the year (thousand) for purposes of calculating diluted earnings | | | |
| | 349,015,265 | 348,963,420 | 342,039,463 |
| | 622,865,458 | 623,598,221 | 620,117,663 |
| Basic earnings per thousand common shares - In Brazilian reais | | | |
| | 2.85 | 2.83 | 2.66 |
| Basic earnings per thousand preferred shares - In Brazilian reais | | | |
| | 2.85 | 2.83 | 2.66 |
| Diluted earnings per thousand common shares - In Brazilian reais | | | |
| | 2.84 | 2.81 | 2.61 |
| Diluted earnings per thousand preferred shares - In Brazilian reais | | | |
| | 2.84 | 2.81 | 2.61 |

See accompanying notes to consolidated financial statements.

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COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in millions of Brazilian reais)

| | 2009 | 2008 | 2007 |
|---|-------|---------|---------|
| SHARE CAPITAL: | | | |
| Preferred - | | | |
| Balance, beginning of year | 1,286 | 1,258 | 804 |
| Transfer from appropriated retained earnings | 349 | 28 | 454 |
| Balance, end of year | 1,635 | 1,286 | 1,258 |
| Common - | | | |
| Balance, beginning of year | 1,002 | 981 | 624 |
| Transfer from appropriated retained earnings | 271 | 21 | 357 |
| Balance, end of year | 1,273 | 1,002 | 981 |
| | 2,908 | 2,288 | 2,239 |
| ADDITIONAL PAID-IN CAPITAL | 3,170 | 3,170 | 3,170 |
| APPROPRIATED RETAINED EARNINGS: | | | |
| Fiscal incentive investment reserve- | | | |
| | 45 | 45 | 45 |
| Rate shortfall reserve- | | | |
| Balance, beginning of year | 1,788 | 1,837 | 2,648 |
| Transfer to capital stock | (620) | (49) | (811) |
| Balance, end of year | 1,168 | 1,788 | 1,837 |
| Legal reserve- | | | |
| Balance, beginning of year | 367 | 273 | 186 |
| Transfer from unappropriated retained earnings | 93 | 94 | 87 |
| Balance, end of year | 460 | 367 | 273 |
| | 1,673 | 2,200 | 2,155 |
| UNAPPROPRIATED RETAINED EARNINGS: | | | |
| Balance, beginning of year | 2,386 | 1,670 | 1,503 |
| Net income | 1,768 | 1,753 | 1,618 |
| Transfer to appropriated retaining earnings | (93) | (94) | (87) |
| Dividends and interest on capital | (931) | (943) | (1,364) |
| Balance, end of year | 3,130 | 2,386 | 1,670 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS): | | | |
| Balance, beginning of year | (711) | (1,010) | (610) |
| Other comprehensive income (loss) | 253 | 299 | (400) |

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| | | | |
|-------------------------------------|--------|-------|---------|
| Balance, end of year | (458) | (711) | (1,010) |
| Shareholders' equity at end of year | 10,423 | 9,333 | 8,224 |

See accompanying notes to consolidated financial statements.

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COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in millions of Brazilian reais)

| | 2009 | 2008 | 2007 |
|--|---------|---------|---------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | 1,768 | 1,753 | 1,618 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation and amortization | 711 | 769 | 878 |
| Monetary variation and exchange rate variation gain | (130) | (40) | (438) |
| Loss on disposal of property, plant and equipment | 31 | 32 | 37 |
| Employee post-retirement benefits | (67) | 22 | 106 |
| Provision for contingencies and doubtful accounts receivable | 205 | 231 | 70 |
| Provision for loss on deferred regulatory assets | (8) | 19 | 146 |
| Deferred tax benefit | (23) | (218) | (256) |
| Equity in results of investments | (165) | (204) | (223) |
| Revenue related to Transmission tariff review | (119) | | |
| Other | | (51) | 49 |
| Decrease (increase) in operating assets- | | | |
| Accounts receivable | (318) | (136) | 7 |
| Recoverable taxes | (53) | 81 | (237) |
| Accounts receivable use of basic transmission network | 75 | 19 | (108) |
| Deferred Regulatory assets | 771 | 330 | 965 |
| Other | 384 | 243 | 229 |
| Increase (decrease) in operating liabilities- | | | |
| Accounts payable to suppliers | (51) | (90) | (41) |
| Payroll and related charges | 62 | 56 | 48 |
| Taxes payable | (20) | (61) | 4 |
| Regulatory charges payable | 89 | 79 | (32) |
| Accrued interest on long-term financing and short-term loans | 17 | 72 | (77) |
| Other | 160 | 55 | 91 |
| Net cash provided by operating activities | 3,319 | 2,961 | 2,836 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Escrow deposits | (312) | (89) | (17) |
| Acquisition of investments in affiliates | (2,014) | (220) | (26) |
| Acquisition of property, plant and equipment | (851) | (971) | (1,120) |
| Proceeds from sale of affiliates | | | 49 |
| Net cash used in investing activities | (3,177) | (1,280) | (1,114) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of long-term financing | 914 | 176 | 589 |

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| | | | |
|--|--------------|------------|------------|
| Repayment of long-term financing and short-term loans | (884) | (807) | (1,134) |
| Proceeds from short-term loans | 2,700 | | 833 |
| Dividends and interest on capital paid | (937) | (865) | (1,334) |
| Net cash provided by (used in) financing activities | 1,793 | (1,496) | (1,046) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,935 | 185 | 676 |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of the year | 1,969 | 1,784 | 1,108 |
| End of the year | 3,904 | 1,969 | 1,784 |
| | 1,935 | 185 | 676 |
| SUPPLEMENTARY CASH FLOWS DISCLOSURE: | | | |
| Taxes paid - income taxes | 731 | 867 | 1,091 |
| Interest paid, net of interest capitalized | 577 | 644 | 672 |
| SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Accounts receivables from State Government offset by dividends | 127 | 129 | 122 |

See accompanying notes to consolidated financial statements.

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COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009, 2008 AND 2007

(Amounts expressed in millions of Brazilian reais, unless otherwise indicated)

1. THE COMPANY AND ITS OPERATIONS

(a) The Company

Companhia Energética de Minas Gerais, CEMIG or the Company, a listed company, has operated solely and exclusively as a holding company since January 1, 2005. CEMIG has shareholder participations in individually and jointly controlled subsidiaries with share securities traded at Corporate Governance Level 1 of the São Paulo stock exchange (Bovespa), on the stock exchanges of the United States of America and Spain. The main objectives of its subsidiaries are the construction and operation of systems used in production, transformation, transmission, distribution and sales of electric energy, as well as the development of activities in the different fields of energy, for the purpose of commercial operation.

The majority of CEMIG's subsidiaries are concessionaires of electric utility services, that are subject to regulations set by the Agência Nacional de Energia Elétrica (the Brazilian National Electric Energy Agency or ANEEL), an agency of the Brazilian Federal Government (the Federal Government).

The Company's consolidated operating subsidiaries as of December 31, 2009 are as follows:

- Cemig Geração e Transmissão S.A. (Cemig Geração e Transmissão) (100.00% interest) Electric power generation and transmission, through 48 plants (43 hydroelectric, 4 wind and 1 thermoelectric plants) and transmission lines mostly belonging to the basic grid of the Brazilian generation and transmission system. Cemig Geração e Transmissão S.A. has interests in the following companies, of which only Cemig Baguari Energia S.A. was consolidated.
- Hidrelétrica Cachoeirão S.A. (Cachoeirão) (jointly controlled - 49.00% interest) Generation and sale of electric energy as an independent power producer, through the Cachoeirão hydroelectric power plant located at Pocrane, in the State of Minas Gerais. The power plant became operational on December 30, 2008.

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- Central Eólica Praias de Parajuru S.A. (Parajuru) (jointly controlled 49.00% interest) - Production and sale of electricity at a wind farm in Beberibe s city in the state of Ceará. The plant became operational in August 2009.
- Baguari Energia S.A. (jointly controlled - 69.39% interest) - Construction, operation, maintenance and commercial operation of the Baguari Hydroelectric Plant, through participation in the UHE Baguari Consortium (Baguari Energia 49.00% and Neoenergia 51.00%), located on the river Doce in Governador Valadares, Minas Gerais State. The first unit became operational in September 2009, the second in November 2009, the third in March 2010 and the fourth in May 2010.
- Transmissora Aliança de Energia Elétrica S.A. (TAESA) previously denominated as Terna Participações S.A. (jointly controlled 32.27% interest) - Construction, operation and maintenance of electricity transmission lines in 11 states of Brazil through the following subsidiaries companies in which it has a controlling or other interest: TSN Transmissora Sudeste Nordeste S.A.; Novatrans Energia S.A.; ETEO Empresa de Transmissão de Energia do Oeste S.A.; ETAU Empresa de Transmissão do Alto Uruguai S.A.; Brasnorte Transmissora de Energia S.A.; and Terna Serviços Ltda.
- Transmissora Alterosa de Energia S.A. (Alterosa) (jointly controlled 49.00% interest) - Holding company created as a consequence of the split of Transmissora Atlântico de Energia Elétrica S.A. to hold interests in companies in the electricity transmission sector. See more details in note 9.

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- Central Eólica Praias de Morgado S.A. (Morgado) (jointly controlled 49.00% interest): The Morgado, also in the municipality of Aracaju in the state of Ceará, Northern Brazil. The plant became operational in May 2010 (in development stage as at December 31, 2009).

Cemig Geração e Transmissão has interests in the following development-stage companies:

- Guanhães Energia S.A. (Guanhães) (jointly controlled 49.00% interest) - Generation and sale of electric energy through the construction and commercial operation of the following Small Hydro Plants: Dores de Guanhães; Senhora do Porto; and Jacaré, located in the municipality of Dores de Guanhães; and Fortuna II, located in the municipality of Virginópolis, in Minas Gerais State. The plants are in the construction phase, with operations scheduled to begin in the first half of 2012;
- Cemig Baguari Energia S.A. (Baguari) (subsidiary 100.00% interest) - Generation and sale of electric energy as an independent power producer in future projects;
- Madeira Energia S.A. (jointly controlled 10.00% interest) - Implementation, construction, operation and commercial operation of the Santo Antônio hydroelectric plant in the Madeira River Basin, in the State of Rondônia, with commercial start up scheduled for 2012;
- Hidrelétrica Pipoca S.A. (Pipoca PCH) (jointly controlled - 49.00% interest) - Independent production of electricity, through construction and commercial operation of the Pipoca PCH (Small Hydro Plant), located on the Manhuaçu River, in the Municipalities of Caratinga and Ipanema, in the State of Minas Gerais. Operational start up is scheduled for July 2010;
- Empresa Brasileira de Transmissão de Energia S. A. (EBTE) (jointly controlled - 49.00% interest) - holder of concession for public electricity transmission service, through the transmission lines of the State of Mato Grosso. Operational start up is scheduled for September 2010;
- Central Eólica Volta do Rio S.A. (Volta do Rio) (jointly controlled 49.00% interest) - The Volta do Rio Wind Farm, in the municipality of Aracaju in the state of Ceará, Northern Brazil. Operational start up planned for the end of June, 2010.
- Cemig Distribuição S.A. (Cemig Distribuição) (100.00% interest) - Electric power distribution through distribution grids and lines covering approximately 97.00% of the State of Minas Gerais;
- Sá Carvalho S.A. (Sá Carvalho) (100.00% interest) - Generation and sale of electric energy from the Sá Carvalho hydroelectric power plant, as an electric energy public service concessionaire;

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- Usina Térmica Ipatinga S.A. (Ipatinga) (100.00% interest) - Generation and sale of electric energy, as an independent power producer, at the Ipatinga thermoelectric power plant located at the facilities of Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS;
- Cemig Telecomunicações S.A. (Cemig Telecom) (previously denominated as Empresa de Infovias S.A.) (100.00% interest) - Rendering telecommunication services and developing activities related thereto, through multiservice networks using optical fiber cable, coaxial cable and other electronic equipment;
- Efficientia S.A. (Efficientia) (100.00% interest) - Rendering efficiency, optimization and energy solutions services through studies and carrying out projects, as well as providing operating and maintenance services, to energy supply facilities;
- Horizontes Energia S.A. (Horizontes) (100.00% interest) - Generation and sale of electric energy, as an independent power producer, at the Machado Mineiro and Salto do Paraopeba hydroelectric power plants, located in the State of Minas Gerais, and the Salto Voltão and Salto do Passo Velho hydroelectric power plants, located in the State of Santa Catarina;

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- Central Termelétrica de Cogeração S.A. (Cogeração) (100.00% interest) Generation and sale of electric energy, as an independent power producer in future projects;
- Rosal Energia S.A. (Rosal) (100.00% interest) Generation and sale of electric energy as an electric energy public service concessionaire through Rosal hydroelectric plant, located on the border between Rio de Janeiro and Espírito Santo States;
- Central Hidrelétrica Pai Joaquim S.A. (Pai Joaquim) (100.00% interest) Generation and sale of electric energy, as an independent power producer in future projects;
- Cemig PCH S.A. (CEMIG PCH) (100.00% interest) - Generation and sale of electric energy, as an independent power producer, at the Pai Joaquim hydroelectric power plant, located in the state of Minas Gerais;
- Cemig Capim Branco Energia S.A. (CEMIG Capim Branco) (100.00% interest) - Generation and sale of electric energy, as an independent power producer, at the Armador Aguiar I and II hydroelectric power plants, located in the state of Minas Gerais, built through a consortium with private-sector partners;
- Usina Termelétrica Barreiro S.A. (UTE Barreiro S.A.(.)Barreiro) (100.00% interest) - Generation and sale of electric energy, as an independent thermoelectric power producer, at the Central Termelétrica Barreiro (UTE Barreiro) located at the facilities of V&M do Brasil S.A., in Minas Gerais State;
- Cemig Trading S.A. (Trading) (100.00% interest) A development stage enterprise engaged in the purchase and sale of energy;
- Cemig Serviços S.A. (100.00% interest) Formed in April 2008 to provide services related to generation, transmission and distribution of electric power.

As of December 31, 2009, the Company also has the following interests (equity method investments):

- Light S.A. (Light) (jointly controlled 13.03% interest) holding company that holds direct or indirect interests in other companies and, directly or indirectly, to operate electricity generation, transmission, trading or distribution services, and other related services. It is the controlling shareholder of:

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- Light Serviços de Eletricidade S.A. (Light SESA) - Listed Company in Brazil primarily operating in electricity distribution, in 31 municipalities of the state of Rio de Janeiro.
- Light Energia S.A. (Light Energia) - Operating in the study, planning, construction and commercial operation of systems for electricity generation, transmission and trading and related services.
- Light Esco Prestação de Serviços Ltda. (Light Esco) - Operating in provision of services of co-generation, projects, management and solutions such as improvement of electricity efficiency, planning of electricity support and supply structures and sale of electricity in the Free Market.
- Itaocara Energia Ltda.(Itaocara Energia) - Company at development stage, where the mainly objective is the production and commercial operation of electricity.
- Lightger Ltda. (Light Ger) and Lighthidro Ltda (Light Hidro) - Companies at development stage, where the mainly objective is the participation in auctions of concessions, authorizations and permissions for new power plants. On December 24, 2008, Light Ger obtained the installation license authorizing the start of works to build the Paracambi Small Hydro Plant.
- Instituto Light para o Desenvolvimento Urbano e Social (Instituto Light) - Formed to participate in social and cultural projects; has interest in economic and social development of cities, reaffirming the company s vocation for work of social benefit as a corporate citizen.

The Company has commenced efforts to acquire an additional shareholding interest in Light in 2010 see more details in note 9.

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- Companhia de Gás de Minas Gerais (GASMIG) (jointly controlled - 55.19% interest) - Acquisition, transportation and distribution of natural gas and related products through concession from the government of the State of Minas Gerais for distribution of gas in the State;
- Companhia Transleste de Transmissão (Transleste) (jointly controlled - 25.00% interest) Operation transmission line (TL) connecting the substation located in Montes Claros and the substation of the Irapé Hydroelectric Power Plant;
- Companhia Transudeste de Transmissão (Transudeste) (jointly controlled - 24.00% interest) Construction and operation of TL Itutinga Juiz de Fora;
- Companhia Transirapé de Transmissão (Transirapé) (jointly controlled - 24.50% interest) Construction and operation of TL Irapé Araçuai;
- Empresa Paraense de Transmissão de Energia S.A.(ETEP) (jointly controlled 40.19% interest) Electric energy public service concessionaire located in the state of Pará. See more information of an increased stake in this company in note 9;
- Empresa Norte de Transmissão de Energia S.A.(ENTE) (jointly controlled 36.69% interest) Electric energy public service concessionaire with two transmission lines (TL), one located in the state of Pará and the other in the state of Maranhão. See more information of an increased stake in this company in note 9;
- Empresa Regional de Transmissão de Energia S.A. (ERTE) (jointly controlled 36.69% interest) - Electric energy public service concessionaire of transmission line (TL) located in the state of Pará. See more information of an increased stake in this company in note 9;
- Empresa Amazonense de Transmissão de Energia S.A. (EATE) (jointly controlled 36.35% interest) - Electric energy public service concessionaire of transmission line (TL) between its substation of Tucuruí, Marabá, Imperatriz, Presidente Dutra and Açailândia. In addition, EATE has interests in the following transmission concessionaire: Empresa Brasileira de Transmissão de Energia - EBTE with 51% of interest; Sistema de Transmissão Catarinense - STC , with 80% of interest and Lumitrans Co. Transmissora de Energia Elétrica - Lumitrans with 80% of interest. See more information of an increased stake in this company in note 9;
- Empresa Catarinense de Transmissão de Energia S.A. (ECTE) (jointly controlled 13.37% interest) - Electric energy public service concessionaire of transmission line (TL) located in the state of Santa Catarina. See more information of an increased stake in this company in note 9;

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- Axxiom Soluções Tecnológicas S.A. (AXXIOM) (jointly controlled 49.00% interest) - Formed in August 2007 to provide services of implementation and management of systems for electricity sector companies.

CEMIG also has interests in the following development-stage companies as of December 31, 2009:

- Companhia de Transmissão Centroeste de Minas (Centroeste) (jointly controlled - 51.00% interest) Construction and operation of Furnas Pimenta transmission line;
- Transchile Charrúa Transmisión S.A. (Transchile) (jointly controlled 49.00% interest) Installation, operation and maintenance of the Charrúa Nueva Temuco transmission line and two transmission line sections in the Charrúa and Nueva Temuco sub-stations, in the central region of Chile. According to the construction schedule the line will start operating in the first half of 2010;

The joint control investments were made by CEMIG through shareholders agreements with the other shareholders of the investee.

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(b) The electricity sector in Brazil:

The electricity sector in Brazil is regulated by the Federal Government, acting through its Ministry of Mines and Energy (MME), which has exclusive authority over the electricity sector. Regulatory policy for the sector is implemented by the Agência Nacional de Energia Elétrica (the Brazilian National Electric Energy Agency or ANEEL).

Retail electricity sales by the Company are made pursuant to provisions of its long-term electricity sales concession agreements. Under the terms of the concession agreements, the Company is authorized to charge its customers a rate for electricity supply that consists of two components: (1) a non-controllable energy generation, transmission and distribution cost pass-through component (Parcel A costs); and (2) an operating cost component (Parcel B costs). Both components are established as part of the original concession for certain initial periods. Subsequent to the initial periods, and at regular intervals thereafter, ANEEL has the authority to review the costs of the Company to determine the inflation adjustment (or other similar adjustment factor), if any, to the Parcel B costs (the Adjustment Escalator) for the subsequent period. This review can result in an Adjustment Escalator that has a positive, zero or negative value.

In addition to the adjustments of Parcel A and Parcel B costs mentioned above, the electricity sales concessions provide for an annual rate adjustment based on several factors, including inflation. In addition, as a result of regulatory changes in December 2001, the Company may now request rate adjustments arising from significant events that disrupt the economic and financial equilibrium of its business. Other normal or recurring factors (such as increases in purchased power costs, taxes on revenue generated or local inflation) are also allowed to be offset through specific rate increases. When making a request for such rate increase, the Company is required to prove the financial impact of the cited events in its operations. See notes 2 and 4.

Under the law creating the new model for the industry, a generation company is not allowed to sell energy directly to the distribution company. As a result, the Company has to sell its electricity in a regulated market through public auctions conducted by ANEEL, or in the Free Contracting Environment (the ACL). Legislation allows distributors that contract with the generation company under the Regulated Contracting Environment (the ACR) to reduce the quantity of energy contracted up to a certain limit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of presentation** - The consolidated financial statements is presented in million of Brazilian reais and have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC). U.S. GAAP differs in certain respects from the Company's statutory financial statements prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP), which are prepared and filed in accordance with the specific rules of the *Comissão de Valores Mobiliários* (the Brazilian Securities Commission, or CVM) and the Agência Nacional de Energia Elétrica (the Brazilian National Electric Energy Agency or ANEEL).

In accordance with CEMIG's management analysis of ASC Subtopic 830-10, CEMIG and all of its subsidiaries has adopted the Brazilian Real as the functional currency.

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Pursuant to local securities and exchange commission (CVM) current regulations, the Company is required to report its consolidated financial statements under International Financial Reporting Standards (IFRS) beginning with the year ending December 31, 2010. For this reason, the Company is currently expecting to discontinue U.S. GAAP reporting for the year ending December 31, 2010. The Company is in the process of evaluating all the potential effects related to these standards and interpretation, which may cause relevant impact in the consolidated financial statements for the year ended December 31, 2009 to be presented comparatively to the consolidated financial statements for the year to be ended on December 31, 2010, as well as to the following fiscal years.

(b) **Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment; valuation allowances for accounts receivables, deferred income tax benefits and the accounts receivable from the State Government; the recoverability of deferred regulatory assets; the valuation of derivatives; income tax uncertainties and other contingencies; estimates of post-retirement benefit obligations; and other similar estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

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(c) **Principles of consolidation** - The accompanying consolidated financial statements include the accounts of CEMIG and its subsidiaries, except jointly controlled companies which are reported under the equity method. In accordance with FASB ASC Section 810-10-25 - Variable Interest Entities - (FASB Statement No. 46(R), Consolidation of Variable Interest Entities), the Company also consolidates any variable interest entities (VIEs) of which it is the primary beneficiary, as defined. When the Company does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Company applies the equity method of accounting. All significant intercompany balances and transactions have been eliminated in the consolidation.

(d) **Foreign currencies** - Assets and liabilities denominated in foreign currencies are related principally to financing and are translated into *reais* at the official exchange rates reported by the Brazilian Central Bank at each balance sheet date. The resulting gains and losses are recognized currently and included in the statements of operations for the appropriate period.

(e) **Cash and cash equivalents** - The Company considers unrestricted cash on hand, deposits in banks and short-term investments readily convertible to cash to be cash and cash equivalents.

(f) **Accounts receivable** - Includes both amounts billed to customers and accrued revenues relating to unbilled energy supplied to customers as of the balance sheet date. Late fees arising from overdue electricity bills are accounted for on a cash basis.

The allowance for doubtful accounts is recorded at an amount estimated by management as sufficient to cover probable losses, according to the ANEEL criteria, as follows: (i) for consumers with significant debts, an individual analysis of the balance is made, taking into account the history of default, negotiations in progress and the existence of real guarantees; (ii) for other consumers, the debts that are more than 90 days past due for residential consumers, or more than 180 days past due for commercial consumers, or more than 360 days past due for the other consumer types, are provisioned at 100%.

(g) **Investments in affiliates** - The Company's investments in affiliated companies in which the Company has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting.

(h) **Property, plant and equipment and intangibles** - These assets are recorded at acquisition or construction cost. Interest and other financing charges, excluding foreign exchange losses, incurred during the construction period on third-party financing are capitalized, in accordance with FASB ASC Subtopic 835-20 - Capitalization of Interest Cost (FASB Statement No. 34 - Capitalization of Interest Cost). Expenditures for maintenance and repairs are charged to operating costs as incurred. Materials to be used in construction are included in electric generation, distribution and transmission assets under construction in progress. The net results of disposals of fixed assets are recorded as part of operating income.

Property, plant and equipment are depreciated using the straight-line method, at annual rates based on the estimated useful life of assets, in accordance with ANEEL regulations and industry practice adopted in Brazil, and residual value at the end of the concession period that will be at least the book value of the property, plant and equipment. Under Brazilian GAAP, the residual value at the end of the concession, net of special obligation (see note 2, item r), is equal to the amount to be reimbursed by the Brazilian government at that time.

Intangibles are amortized using the straight-line method until the end of the concession period.

The Company's investments in consortia (groups of organizations participating in joint ventures formed to promote common objectives or engage in projects to benefit all the members without the creation of a legal entity), are recorded at acquisition or construction cost less allowance for loss, when applicable. Interest and other financing charges, excluding foreign exchange losses, incurred during the construction period on third-party financing are capitalized, in accordance with FASB ASC Subtopic 835-20 (FASB Statement No. 34). The consortium depreciation is computed on the straight-line method, at annual rates determined by ANEEL, which represent the estimated useful lives of the consortia's underlying assets. The consortium expenditures for maintenance and repairs are charged proportionally to operating costs by the Company as incurred.

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(i) **Impairment of long-lived assets** - CEMIG follows FASB ASC Topic 360-10 (FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets). Whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable, CEMIG performs calculations of undiscounted cash flows expected to be derived from assets in service to determine whether impairment has occurred. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, such assets are written down to their estimated fair values based on discounted cash flow analysis. The Company has not recognized any impairment as a result of the application of this accounting policy for all periods presented.

(j) **Research and Development and Advertising** - Research and development and advertising costs are expensed as incurred. Research and development costs amounted to R\$27, R\$25 and R\$23 in 2009, 2008 and 2007, respectively. Advertising costs amounted to R\$26, R\$31 and R\$26 in 2009, 2008 and 2007, respectively.

(k) **Revenues, costs and expenses** - Revenues, costs and expenses are recognized on an accrual basis. Revenue is recognized when persuasive evidence of an arrangement exists, delivery of goods has occurred or services have been rendered, rates have been fixed or are determinable, and collectability is reasonably assured regardless of when cash is received.

Revenues from the sale of electricity generation are recorded based upon the output delivered provided at rates as specified under contract terms or prevailing regulatory rates. Electricity distribution sales to final customers are recognized when power is provided. Billings for these sales are made on a monthly basis. Unbilled revenues from the billing cycle up to the end of each month are estimated based on the prior month's billing and are accrued at the end of the month. Differences between estimated and actual unbilled revenues, which historically have not been significant, are recognized in the following month.

Use of basic transmission network revenues is recorded when earned and billed monthly, according to the revenue established through the concession contracts. In certain contracts, revenues to be earned in the last 15 years are 50.00% lower than those in the first 15 years of the concession. The Company recognizes revenue on these contracts on a straight-line basis, in accordance with the nature of the services provided.

Revenues received by the Company from other concessionaires and free consumers using its basic transmission and distribution network are recognized in the month that the network services are provided.

Services rendered include connection fees and other related services and the revenues are recognized when the services are provided.

Taxes on revenue consist of: (i) value-added tax (VAT), which is a state tax due on the sales to final customers, is billed to the consumers and recorded as part of gross revenue; (ii) COFINS revenue tax; (iii) PIS-PASEP social contribution tax on revenues; and (iv) Emergency capacity charge. It is the Company's policy to deduct these taxes from gross revenues.

(l) **Income taxes** - CEMIG accounts for income taxes in accordance with FASB ASC Topic 740, Income Taxes (FASB Statement No. 109, Accounting for Income Taxes), which requires an asset and liability approach to recording current and deferred. Deferred tax assets and

liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

CEMIG adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (included in FASB ASC Topic 740, Income Taxes), on January 1, 2007, that prescribes a recognition threshold and measurement attribute for the financial statement of a tax position taken or expected to be taken. This Interpretation resulted in increased relevance and comparability in financial reporting of income taxes because all tax positions accounted for in accordance with ASC Topic 740, will be evaluated for recognition, derecognition, and measurement using consistent criteria. This adoption did not result in any material adjustment in the financial statements of the Company.

(m) **Commitments and Contingencies** - Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

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(n) **Employees benefit plans** - The Company sponsors a defined-benefit pension plan and a defined-contribution plan covering substantially all of its employees. The Company has also established post-retirement health care plans and dental plans and pays life insurance premiums for its retirees. The Company accounts and discloses information about pension plans and other postretirement benefit plans as required by according to FASB ASC Topic 715 Compensation Retirement Benefits - Defined (FASB Statement No. 87, Employers Accounting for Pensions), FASB Statement No. 106, Employers Accounting for Post-retirement Benefits Other Than Pensions and FASB Statement No. 132(R) Employers Disclosures about Pensions and Other Postretirement Benefits).

Under Brazilian law, employees are entitled to a minimum of one-month vacation upon conclusion of each year of service. CEMIG fully accrues this liability based on the vested entitlement of the employees at each period end, plus related social security costs.

(o) **Environmental and remediation costs** - CEMIG, in accordance with FASB ASC Subtopic 410-30 Environmental Obligations (FASB Statement No. 143 Accounting for Asset Retirement Obligations) and its environmental policy, has established various damage control and prevention programs in order to help limit its risks with respect to major environmental-related liabilities. The cost of these programs is expensed as incurred. CEMIG's policy is to provide remediation costs when the responsibility to remediate is probable and the amount of associated costs is reasonable determinable. No provision with respect to these matters has been required to date.

(p) **Comprehensive income (loss)** - CEMIG reports comprehensive income (loss) in accordance with FASB ASC Topic 220 Comprehensive Income (FASB Statement No. 130, Reporting Comprehensive Income) and has elected to present it in the statement of operations. The components of accumulated other comprehensive loss are as follows:

| | 2009 | 2008 |
|---|-------|---------|
| Under-funded status of postretirement benefit plans | (694) | (1,077) |
| Income tax | 236 | 366 |
| Total accumulated other comprehensive loss | (458) | (711) |

(q) **Regulation and deferred regulatory assets and liabilities** - As a result of various actions taken by the Federal Government and ANEEL in 2001, the Company's distribution business is subject to the provisions of FASB ASC Topic 980 Regulated Operations (FASB Statement No. 71 - Accounting for the Effects of Certain Types of Regulation). The rate-setting structure in Brazil is designed to provide for recovery of the Company's allowable costs, including those incurred as a result of Federal Government-mandated power rationing measures imposed in 2001, as described further below. Accordingly, the Company capitalizes incurred allowable costs as deferred regulatory assets when instructed by ANEEL and there is a probable expectation that future revenue equal to the costs incurred will be billed and collected as a direct result of the inclusion of the costs in an increased rate set by the regulator. The deferred regulatory asset is eliminated when the Company collects the related costs through billings to customers at the increased rate. ANEEL performs a rate review on an annual basis. If ANEEL excludes all or part of a cost from recovery, that portion of the deferred regulatory asset is impaired and is accordingly reduced to the extent of the excluded cost. The Company has recorded net deferred regulatory assets that it expects to pass through to its customers in accordance with and subject to regulatory provisions.

During 2001, the Federal Government instituted an electricity rationing plan in response to an energy shortage caused by low rainfall, reduced reservoir levels and Brazil's significant dependence on electricity generated from hydrological resources. The rationing resulted in losses for the Company and other electricity distribution companies in Brazil. In December 2001, electricity concessionaires including the Company reached an industry-wide agreement (the General Agreement of the Electricity Sector or the General Agreement) with the Federal Government that

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provided resolution to rationing-related issues as well as to certain other electricity rate-related issues. The General Agreement provided for a rate increase intended to reimburse revenues lost as a result of the rationing program in 2001 and 2002. The increased rates were in force in the Company for a period of 74 months from February 2002. The amount was fully recovered in accordance with Emerging Issues Task Force (EITF) N°. 92-7 Accounting by Rate Regulated Utilities for the Effects of Certain Alternative Revenue Programs (included in FASB ASC Subtopic 980-605 Regulated Operations Revenue Recognition).

The General Agreement also addressed Parcel A costs, which are certain costs that each distribution company is permitted to defer and pass through to its customers via a future rate adjustment. Parcel A costs are limited by the

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concession contracts to the cost of purchased power and certain other costs and taxes not controlled by the Company. ANEEL had granted rate increases to recover a portion of previously deferred Parcel A costs. The General Agreement provided a tracking account mechanism, created in October 2001 through Executive Order No. 296, to record the variation in the Parcel A costs for rate adjustment calculation purposes. Parcel A costs incurred previous to January 1, 2001 are not recoverable through the tracking account. As a result, the Company has not recognized any regulatory asset for Parcel A costs incurred prior to 2001, except for the system services charges from September 2000 (as allowed by ANEEL). Parcel A costs started to be collected in March 2008. (See note 4).

(r) **Special obligations** - Special obligations represent contributions received by concessionaires from customers for the purpose of expanding the electric distribution system. These contributions are incorporated into the Company's distribution assets. For regulatory purposes, the depreciation of these assets was included in the tariff rate setting process and the corresponding liability was recorded for the amount of the total contributions. Under U.S. GAAP, the contributions were considered reimbursements of construction costs and credited against the cost of the related fixed assets.

On October 31, 2006, ANEEL issued a new regulation which changed the treatment of special obligations with respect to the tariff setting process. The regulation establishes, among other items, that beginning on the date of the next respective tariff revision (April 2008 for CEMIG Distribuição), the special obligations would be amortized as a reduction of net allowable costs over future periods, therefore reducing tariffs.

(s) **Earnings per share** - The Company presents its earnings per share in accordance with FASB ASC Topic 220 - Earnings Per Share (SFAS No. 128 Earnings Per Share) using the two class method. Basic earnings per share is computed by dividing net income by the weighted average number of common and preferred shares outstanding during the year. Diluted earnings per share is computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common and preferred shares that were outstanding during the year.

(t) **Segment information** FASB ASC Topic 280 Segment Reporting (SFAS No. 131 Disclosures about Segments of Enterprise and Related Information) requires that a business enterprise supplementally disclose certain financial information about its various and distinct operating activities. Such information is to be presented from the point of view of how operating and financial decisions are made for each business sector. The Company has adopted ASC Topic 280 for all years presented, as further disclosed in Note 33.

(u) **Derivatives and hedging activities** - As required by FASB ASC Topic 815 - Derivatives and Hedging (SFAS No. 133 - Accounting for Derivative Instruments and Hedging Activities) derivative financial instruments are being recorded based on their fair values as assets or liabilities in the accompanying balance sheet, and corresponding changes in fair value are being recognized in earnings. Hedge accounting has not been applied to any of the Company's derivative financial instruments. The Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows.

(v) **Fair Value Measurements** - On January 1, 2008, the Company adopted the provisions of FASB Statement No. 157, Fair Value Measurements, (included in ASC Topic 820, Fair Value Measurements and Disclosures), for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and also establishes a framework for measuring fair value and expands

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disclosures about fair value measurements (Note 25). FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157 (included in FASB ASC Section 820-10-65 Transition and Open Effective Date Information) postponed the effective date of Statement 157 until fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

On January 1, 2009, the Company was required to apply the provisions of ASC Topic 820 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The adoption of FAS 157-2 did not result in any adjustment to the financial statements of the Company.

In October 2008, the FASB issued FASB Staff Position FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, which was effective immediately. FSP FAS 157-3 clarifies the application of Statement 157 in cases where the market for a financial instrument is not active and provides an

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example to illustrate key considerations in determining fair value in those circumstances. The Company has considered the guidance provided by FSP FAS 157-3 in its determination of estimated fair values during 2009 and 2008.

(w) **Fair Value Option** - Effective January 1, 2008, the Company adopted the provisions of FASB ASC Topic 825 Financial Instruments (FASB Statement No.159 - The Fair Value Option for Financial Assets and Financial Liabilities). ASC Topic 825 gives the Company the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Fair value option has not been elected - for any of the Company's financial assets and liabilities.

(x) **Recently Issued Accounting Pronouncements**

- ***Transfers and Servicing (ASC 860), Accounting for Transfers of Financial Assets (ASU 2009-16)***

The FASB issued ASU 2009-16, Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets (FASB Statement No. 166, Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140) in December 2009. ASU 2009-16 removes the concept of a qualifying special purpose entity (QSPE) from ASC Topic 860, Transfers and Servicing, and the exception from applying ASC 810-10 to QSPEs, thereby requiring transferors of financial assets to evaluate whether to consolidate transferees that previously were considered QSPEs. Transferor imposed constraints on transferees whose sole purpose is to engage in securitization or asset backed financing activities are evaluated in the same manner under the provisions of the ASU as transferor imposed constraints on QSPEs were evaluated under the provisions of Topic 860 prior to the effective date of the ASU when determining whether a transfer of financial assets qualifies for sale accounting. The ASU also clarifies the Topic 860 sale accounting criteria pertaining to legal isolation and effective control and creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale. The ASU is effective for periods beginning after December 15, 2009, and may not be early adopted. The Company expects that the adoption of ASU 2009-16 will not have a material impact on its consolidated financial statements.

- ***Consolidation (ASC 810), Improvements to Financial Reporting by Enterprises Involved With Variable Interest Entities (ASU 2009-17)***

The FASB issued ASU 2009-17, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*) in December 2009. ASU 2009-17, which amends the Variable Interest Entity (VIE) Subsections of ASC Subtopic 810-10, Consolidation - Overall, revises the test for determining the primary beneficiary of a VIE from a primarily quantitative risks and rewards calculation based on the VIE's expected losses and expected residual returns to a primarily qualitative analysis based on identifying the party or related party group (if any) with (a) the power to direct the activities that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. The ASU requires kick out rights and participating rights to be ignored in evaluating whether a variable interest holder meets the power criterion unless those rights are unilaterally exercisable by a single party or related party group. The ASU also revises the criteria for determining whether fees paid by an entity to a decision maker or another service provider are a variable interest in the entity and revises the Topic 810 scope characteristic that identifies an entity as a VIE if the equity-at-risk investors as a group do not have the right to control the entity through their equity interests to address the impact of kick out rights and participating rights on the analysis. Finally, the ASU adds a new requirement to reconsider whether an entity is a VIE if the holders of the equity investment at risk as a group lose the power, through the rights of those interests, to direct the activities that most significantly impact the VIE's economic performance, and requires a company to reassess on an ongoing basis whether it is deemed to be the primary beneficiary of a VIE. ASU 2009-17 is effective

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for periods beginning after December 15, 2009 and may not be early adopted. The Company expects that the adoption of ASU 2009-17 will not have a material impact on its consolidated financial statements.

- *Codification*

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-01 in June 2009. This Update, also issued as FASB Statement of Financial Accounting Standards (SFAS) No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, is effective for financial statements issued after September 15, 2009. Update 2009-01 requires that the FASB's Accounting Standards Codification (ASC) become the sole source of authoritative U.S. generally accepted accounting principles recognized by the FASB for nongovernmental entities. The Codification is meant to simplify user access to all authoritative

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GAAP by reorganizing GAAP pronouncements into roughly 90 accounting topics within a consistent structure. All previous level (a)-(d) US GAAP standards issued by a standard setter is superseded. Level (a)-(d) US GAAP refers to the previous accounting hierarchy. All other accounting literature not included in the Codification is nonauthoritative. Following this Statement, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates. The Board will not consider Accounting Standards Updates as authoritative in their own right. Accounting Standards Updates will serve only to update the Codification. CEMIG adopted this Update effective July 1, 2009.

3. ACCOUNT RECEIVABLE FROM MINAS GERAIS STATE GOVERNMENT

On March 4, 1993, the Company recorded a receivable with a corresponding credit in the statement of operations, from the Federal Government relating to the remaining balance of the amount of return guaranteed by the regulatory agency and the actual return recorded by the Company prior to that date. During 1993 and 1994, the Company recovered part of the rate shortfall by offsetting amounts due to Federal Government-owned entities arising from purchased power and financing. On May 2, 1995, the obligation to pay the remaining balance of this receivable amounting to R\$602, was transferred from the Federal Government to the State Government, the Company's controlling shareholder, through a credit assignment contract (the CRC Agreement). In connection with this assignment, the State Government agreed to pay the amount due to the Company over 20 years, with an initial three-year grace period, as restated based on the UFIR (Tax Reference Unit Index) plus interest of 6% per year. In the event that the Company receives payments or retains declared dividends to offset amounts receivable, the Company is obligated to issue shares to all shareholders in proportion to their shareholdings, transferring the principal amount of the related paid installments from Appropriated retained earnings - Rate shortfall reserve to Capital Stock.

The CRC Agreement was modified by certain amendments commencing in 2001 that addressed issues relating to remuneration of the receivable and certain guarantees relating to dividend retention by the State government. Prior to the Fourth Amendment described below, a portion of the receivable was not guaranteed by the State Government. Consequently, the Company had recognized a provision amounting to the full unguaranteed amount which was R\$1,845 as of December 31, 2004.

a) Fourth Amendment to the CRC Agreement

The Extraordinary Shareholders Meeting which commenced on December 30, 2005, and ended on January 12, 2006, approved the Fourth Amendment to the CRC Agreement which extended the guarantee relating to dividends payable to the State Government to the full balance receivable and changed the remuneration to IGP-DI plus annual interest of 8.18% per year. The balance is payable in 61 semi-annual installments which are due on June 30 and December 31 of each year, retroactively as from December 2004. The payments are being made by withholding 65.00% of the regular dividends and interest on capital due to the State Government. The dividends withheld are being used in the following order: (i) the settlement of past due installments, (ii) the settlement of the semi-annual installments, (iii) the pre-payment of up to 2 installments; and (iv) the payment of the remaining principal.

On December 31, 2009, the amount of R\$80 (R\$73 on December 31, 2008) had been received in advance of the contract coming due on June 30 and December 31, 2010.

b) Creation of CEMIG CRC Account Securitization Fund

In January 2006, the Company created the CEMIG CRC Account Securitization Fund (FIDC) and assigned the accounts receivable under the CRC Account Agreement to the fund. The book value of the CRC Account receivables that were transferred to the FIDC in January 2006 was R\$1,659. A portion of the FIDC was used by the Company to obtain R\$900 in financing in the form of senior quotas issued by the FIDC. The senior quotas accrue interest based on CDI plus 1.7% per year and are being amortized in 20 semi-annual installments. The senior quotas were acquired by financial institutions and are guaranteed by CEMIG. Consequently, the FIDC is fully consolidated by the Company and the senior quotas are recorded as Long-term financing.

The changes to amounts receivable in connection with the CRC Account Securitization Fund in 2009 and 2008 were as follows:

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| | 2009 | December 31, 2008 |
|--|--------------|----------------------|
| Opening balance | 1,801 | 1,763 |
| Monetary updating on the senior quotas | 104 | 128 |
| Monetary updating on the subordinated quotas | 45 | 26 |
| Funds received – subordinated quotas | 17 | 13 |
| Amortization of the senior quotas | (143) | (128) |
| Amortization of the subordinated quotas | | (1) |
| Balance at December 31, | 1,824 | 1,801 |
| Composition of the CRC Account Securitization Fund at December 31 | | |
| - Senior quotas held by third parties | 951 | 990 |
| - Subordinated quotas held by CEMIG | 791 | 738 |
| - Dividends held by the Fund | 82 | 73 |
| TOTAL | 1,824 | 1,801 |

The dividends to be distributed to shareholders arising from net income recorded for the period ended of December 31, 2009, declared by the Executive Board and the Board of Directors, in accordance with the Company's Bylaws, are recorded as Current liabilities. Of the dividends to be distributed, R\$207 is payable to the government of the State of Minas Gerais, and R\$135 will be retained for settlement of part of the CRC Agreement.

In connection with the Fourth Amendment, the Company committed to comply with financial covenants which are calculated based on the financial statements prepared in accordance with Brazilian GAAP:

| Target Description According to Brazilian GAAP | Index Required |
|---|--|
| Indebtedness (1)/EBTIDA (2) | Less than 2 |
| Indebtedness(1) / Indebtedness plus Shareholders Equity | Less than or equal to 40.00% |
| Capital expenditures | Less than or equal to 40.00% of EBTIDA |

(1) Indebtedness = total consolidated short-term and long-term financing

(2) EBTIDA = Earnings before interest, income taxes, depreciation and amortization.

During the Extraordinary Shareholders General Meeting held on May 28, 2009, the shareholders agreed to revise the restrictive clause – capital expenditure – to increase the rate from 40% to 125.00% of EBTIDA due to the capital expenditures occurred in 2009 in connection with implementation of the investment program of the Company. The Company complied with all the restrictive covenants for the year ended on December 31, 2009.

4. DEFERRED REGULATORY ASSETS AND LIABILITIES

The components of the deferred regulatory assets and liabilities are as follows:

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| | 2009 | December 31, | 2008 |
|---|------|--------------|-------|
| Energy transactions on Câmara de Comercialização de Energia Elétrica CCEE (CCEE/MAE) during the rationing plan (a) | 46 | | 38 |
| Provision for loss on Transactions on the CCEE/MAE | | | (26) |
| | 46 | | 12 |
| Additional Parcel A costs: | | | |
| - Period from January 1, 2001 to October 25, 2001 (b.1) | 227 | | 515 |
| - Period from October 26, 2001 and thereafter (b.2) | 50 | | 380 |
| Deferred rate adjustment (c) | | | 133 |
| PIS-PASEP/COFINS (d) | | | 46 |
| Tariff review of Cemig Distribuição (note 26) | | | (214) |
| Transmission tariff review of CEMIG Geração e Transmissão (note 27) | 119 | | |
| | 442 | | 872 |
| Current assets | 346 | | 754 |
| Other assets | 96 | | 332 |
| Current liabilities | | | (214) |

The regulatory assets related to the Energy Rationing Plan, Energy transactions on CCEE/MAE and additional Parcel A costs bear interest at the SELIC (Brazilian benchmark interest rate) rate. The deferred rate adjustment and PIS-PASEP/COFINS regulatory assets were restated based on IGP-M (General Market Price Index). These assets are being

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recovered based on the rate adjustment on April 8, 2009. CEMIG estimates the remaining recovery period for these assets at December 31, 2009 to be substantially less than 24 months.

The Company has not recorded VAT related to the above items. The VAT, amounting to R\$12 as of December 31, 2009 (R\$36 as of December 31, 2008), will be assessed when these amounts are invoiced to the customers as a gross-up to the revenue invoiced. The VAT collected will then be passed on to the state tax authorities, resulting in no effect on net operating revenues. VAT is not assessed on Parcel A costs and PIS-PASEP/COFINS.

(a) Energy transactions on CCEE/MAE during the rationing plan

The receivable refers to the difference between the prices paid by CEMIG in the CCEE/MAE energy transactions, during the energy rationing period and the amount of R\$49.26/MWh that is recovered through the extraordinary rate adjustment (RTE), as defined in the General Agreement of the Electricity Sector. Distribution concessionaires collect and transfer, on a monthly basis, the special rate adjustment amounts to generators and distributors, including CEMIG. The Company has maintained a receivable balance since March 2003.

The conclusion of certain lawsuits filed by other generators that are still in progress may result in future changes in the amounts recorded. The Company is currently unable to determine the likely outcome of this uncertainty.

Revision of amounts by ANEEL

On December 15, 2009, ANEEL issued Regulatory Resolution n° 387/2009 which establishes a new method for calculating the outstanding balances of Loss of Revenue and Free Energy after expiry of the RTE charge, with the aim to fairly distribute the amounts of RTE charged from the final consumer, so as to spread the losses incurred evenly between generators and distributors of electric energy.

On the basis of this new calculation, CEMIG Geração e Transmissão will receive from the distributors of electric energy relating to free energy the amount of R\$37.

The rights of CEMIG Geração e Transmissão are updated by the variation in the SELIC rate plus 1.00% interest per year.

Write-off

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In 2009, the Company wrote-off the amount of R\$37 relating to receivables which have no chance of being passed by some distributors due to the termination of the validity of recovery from RTE in their concession areas.

(b) Recovery of additional Parcel A costs:

(b.1) Additional Parcel A Costs from January 1, 2001 to October 25, 2001

The base amount of Parcel A costs to be reimbursed is equal to the difference between the Parcel A costs actually incurred and the estimated Parcel A costs used for purposes of computing the last annual rate adjustment prior to the Energy Rationing Plan. This amount bears interest at the SELIC rate from the day that the actual cost was paid until the date of recovery.

The recovery of the Parcel A costs began in March 2008, immediately after the ending of the period of recovery of RTE, using the same mechanisms.

When the amounts of Parcel A costs are received in the tariff, the Company transfers the corresponding amount, posted in assets, to the income statement. The table below shows the amounts transferred:

| Amounts transferred to expenses | December 31, | |
|---|--------------|------|
| | 2009 | 2008 |
| Electricity purchased for resale | 196 | 161 |
| Fuel usage quota | 87 | 71 |
| Global reserve for reversion quota | 9 | 7 |
| Tariff for transport of electricity from Itaipu | 3 | 3 |
| Tariff for use of the transmission facilities of the basic grid | 22 | 18 |
| Charges for use of water resources | 8 | 6 |
| Energy Service Inspection fee | 1 | 1 |
| | 326 | 267 |

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(b.2) Additional Parcel A Costs from October 26, 2001 and thereafter

On October 25, 2001, the Federal Government, through Executive Act N° 296, created a tracking account mechanism to control the variation of Parcel A costs for rate adjustment calculation purposes. This account is comprised of the amounts resulting from the difference between the Parcel A costs actually incurred, from October 26, 2001 and thereafter, and the estimated Parcel A costs used for purposes of computing the annual rate adjustment on April 8.

The amounts determined for the Parcel A costs for the period from October 26, 2001 and thereafter are recorded as deferred regulatory assets, as follows:

| Parcel A Items | December 31, | |
|--|--------------|------|
| | 2009 | 2008 |
| System service charges | 32 | 158 |
| Electricity purchase rate | (222) | 110 |
| Itaipu Binacional electricity transport rate | 9 | 5 |
| Fuel usage quota CCC | 91 | 61 |
| Rate for use of basic transmission network | 97 | 28 |
| Energy development account quota CDE | 24 | 10 |
| Charges for use of water resources | 4 | 3 |
| Incentive program for Alternative Electric Power Sources PROINFA | 15 | 5 |
| | 50 | 380 |

The Company wrote-off the amount of R\$71 related to Parcel A costs from the previous years that it will not be collected.

The above-mentioned amounts are restated based on the SELIC through annual rate adjustments.

(c) Deferred rate adjustment

ANEEL Resolution No. 71, dated April 4, 2004, determined that the rate adjustment that should have been applied to the Company's rates on April 8, 2003 was 44.41%, instead of 31.53% which was originally applied. The percentage difference of 12.88% (in absolute terms) was offset through an increase of R\$301, in April 2003 values, in each one of the tariff adjustments scheduled to take place in 2004 through 2008, including monetary restatement calculated based on IGP-M variation plus 11.26% interest. The outstanding amount of R\$133 at December 31, 2008 was collected in 2009.

(d) PIS-PASEP/COFINS

The Federal Laws No. 10,637 and 10,833, increased the rates and changed the basis of calculation of PIS/PASEP and COFINS taxes on revenues. As a result of those changes, there was an increase in expense relating to PIS/PASEP and COFINS, from December 2002 to June 2005 and from February of 2004 to June 2005, respectively.

In view of the fact that this increase in the expense should be repaid to the Company through tariffs, the credits were registered, in accordance with a criteria defined by ANEEL, as a regulatory asset, and there was a counterpart reduction in the expense on PIS/PASEP and COFINS taxes.

In 2009, the Company decided to write off the credits of PIS and COFINS in the amount of R\$46 due to the non-inclusion by ANEEL of this asset in the Tariff Adjustment made in March 2010 and the uncertainty on realization of this asset in the subsequent tariff adjustments.

5. INCOME TAXES

Income taxes in Brazil include federal income tax and social contribution tax on income (which is an additional federal income tax). The statutory annual rates applicable are 25% for federal income tax and 9% for social contribution tax.

The income taxes are calculated on an individual basis for each subsidiary and cannot be consolidated according to the Brazilian tax law.

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(a) Income tax reconciliation:

The amounts reported as income tax expense in the financial statements are reconciled to the statutory rates as follows:

| | 2009 | Year ended December 31, 2008 | 2007 |
|-------------------------------|-------|---------------------------------|-------|
| Income before taxes | 2,575 | 2,508 | 2,303 |
| Income tax expense (34%) | (876) | (853) | (783) |
| Effects of: | | | |
| Income tax benefit (expense)- | | | |
| Equity in Investees | 56 | 70 | 77 |
| Change in valuation allowance | | | 14 |
| Interest on Capital (1) | (16) | | |
| Others | 29 | 28 | 7 |
| Income tax expense | (807) | (755) | (685) |
| Current tax expense | (830) | (973) | (941) |
| Deferred tax benefit | 23 | 218 | 256 |
| Income tax expense | (807) | (755) | (685) |

The effective tax rates are 31% in 2009 and 30% in 2008 and 2007.

(1) Brazilian companies are permitted to pay interest on capital. The calculation is based on the shareholders' equity amounts prepared in accordance with Brazilian GAAP. The interest rate applied may not exceed the long-term interest rate determined by the Brazilian Central Bank and interest paid may not exceed the greater of 50% of net income for the year or 50% of retained earnings plus profit reserves.

The amount of interest on capital is deductible for income taxes purposes. Accordingly, as opposed to a payment of dividends, the benefit to CEMIG is a reduction in its income taxes payable equivalent to the statutory tax rate applied to such amount. The interest on capital is recorded in tax and accounting books as financial income, when declared by subsidiaries, and as financial expense when declared to be paid to shareholders. However, for financial statement presentation purposes, the Company considers the substance of the transaction. As such, interest on capital is considered as dividends received or paid, with no effect in the statements on income. In the financial statements, those dividends are reclassified, which means that interest on capital received is credited to investments and interest on capital paid is debited to retained earnings, while the income tax effects remain in statement of operations.

(b) Analysis of deferred tax balances:

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As of December 31, 2009 and 2008, the deferred tax balances have been computed using a 34% rate, which is the enacted tax rate expected to be in force upon realization. The major components of the deferred income taxes accounts in the consolidated balance sheets are as follows:

| | 2009 | December 31, 2008 |
|---|--------------|----------------------|
| Deferred Tax Assets: | | |
| Tax loss carryforwards | 441 | 508 |
| Employee post-retirement benefits | 166 | 306 |
| Provision for contingencies | 183 | 126 |
| Provision for doubtful accounts | 100 | 88 |
| Other temporary differences | | 32 |
| Total gross deferred tax assets | 890 | 1,060 |
| Offset balance between assets and liabilities | (67) | (140) |
| Valuation allowance on realization of deferred tax balances | (408) | (437) |
| Net deferred tax assets | 415 | 483 |
| Deferred Tax Liabilities: | | |
| Temporary difference on regulatory assets | (40) | (2) |
| Effects of differences between book and tax basis of property, plant and equipment. | (267) | (276) |
| Other temporary differences | (3) | (10) |
| Total gross deferred tax liabilities | (310) | (288) |
| Offset balance between liabilities and assets | 67 | 140 |
| Net deferred tax liabilities | (243) | (148) |
| Net deferred tax asset | 172 | 335 |
| Current Assets | 82 | 48 |
| Other Assets | 333 | 435 |
| Current Liabilities | (27) | |
| Long-term Liabilities | (216) | (148) |

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In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax-planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods for which deferred tax assets are deductible, management believes that it is more likely than not that the Company will realize the benefits of these deductible differences, net of existing valuation allowance at December 31, 2009. The amount of the deferred tax assets considered realizable; however, could be reduced in the near term if estimates of future taxable income are reduced.

Tax loss carryforwards of R\$1,297 as of December 31, 2009 may be offset against a maximum of 30% of annual taxable income and do not expire under Brazilian tax law.

Considering, as mentioned before, that the Brazilian Tax Law permits companies to benefit from the payment of interest on capital and deduct such payments from their taxable income, the Company adopted the tax position of paying interest on capital to their shareholders. According to the Company's tax planning strategy, after utilizing a balance of withholding taxes currently recorded as Recoverable Taxes in the next few years, the Company will distribute interest on capital in an amount that will reduce the taxable income to close to or equal to zero. As a consequence, this alternative should eliminate the payment of the income and social contribution taxes by Cemig Holding and the tax loss carryforwards would not be recovered.

As previously mentioned, the Company considers the payment of interest on capital as part of its tax-planning strategies and also considers that the payment of interest on capital in the future is a better alternative than the recovery of its tax loss carryforwards. Therefore, the Company recorded a valuation allowance in its Financial Statements in the amount of R\$408 as of December 31, 2009 related to tax loss carryforwards not expected to be recovered.

The Company adopted the provisions of ASC Topic 740 on January 1, 2007 and recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Upon the implementation of ASC Topic 740, the Company did not record any further adjustments related to uncertainty in income taxes, beyond those already recorded. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | 2009 | 2008 | 2007 |
|--|------|------|------|
| Balance at January 1, | 44 | 32 | 28 |
| Increase related to current year tax positions | 4 | 4 | 4 |
| Increase related to prior year tax positions | | 8 | |
| Balance at December 31, | 48 | 44 | 32 |

Included in the balance of total unrecognized tax benefits at December 31, 2009 and 2008, are potential benefits of R\$48 and R\$44 respectively, if recognized, would affect the effective rate on income from continuing operations. The Company recorded R\$6 and R\$12 of interest and penalties related to unrecognized tax benefits during 2009 and 2008 in the statements of operations. Total amount of interest and penalties accrued as of December 31, 2009 and 2008 was R\$40 and R\$34, respectively.

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The Company and its subsidiaries file federal income tax returns only in Brazil (except Transchile Charrua Transmission S.A. which domiciled in Chile and is in a start-up phase). The Company is no longer subject to Brazilian federal income tax examinations for years before 2004. All income before taxes and related income taxes are from Brazilian sources. The main lawsuits challenged by the Brazilian Revenue Service are described in note 17. Management, based on the opinion of the legal counsel, considers that there are no significant risks that are not covered by liabilities already recorded or that would result in a material change to its financial position or results of operations. The Company does not expect that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The Company's policy is to record penalties and interests related to unrecognized tax benefits as financial expenses in the consolidated statements of income.

6. CASH AND CASH EQUIVALENTS

The following table sets forth amounts of cash and cash equivalents for the dates indicated:

| | 2009 | December 31, 2008 |
|--|-------|----------------------|
| Cash on hand and in banks | 93 | 171 |
| Cash equivalents, mainly certificates of deposit | 3,811 | 1,798 |
| | 3,904 | 1,969 |

Cash and cash equivalents consist of transactions with Brazilian financial institutions, contracted on normal market conditions and at normal market rates. These are highly liquid, able to be converted into a known amount of cash and are subject to an insignificant risk of change of value.

7. ACCOUNTS RECEIVABLE, NET

The following table sets forth information concerning accounts receivable:

| | As of December 31, 2009 | | | Total | |
|-------------|-------------------------|------------------|-----------------------------|-------|----------------------|
| | Current | Up to 90 days | Past-due Over 90 days | 2009 | December 31, 2008 |
| Residential | 394 | 146 | 81 | 621 | 544 |
| Industrial | 302 | 42 | 356 | 700 | 688 |
| Commercial | 222 | 46 | 70 | 338 | 298 |
| Rural | 64 | 18 | 19 | 101 | 102 |

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| | | | | | |
|---------------------------------|-------|-----|-------|-------|-------|
| Governmental entities | 74 | 15 | 48 | 137 | 165 |
| Public services | 112 | 5 | 5 | 122 | 58 |
| Subtotal | 1,168 | 272 | 579 | 2,019 | 1,855 |
| Distributors | 174 | 17 | 9 | 200 | 111 |
| | 1,342 | 289 | 588 | 2,219 | 1,966 |
| Allowance for doubtful accounts | | | (238) | (238) | (244) |
| | 1,342 | 289 | 350 | 1,981 | 1,722 |
| Current assets | | | | 1,949 | 1,705 |
| Other non-current assets | | | | 32 | 17 |

No single customer represented more than 10% of total receivables as of December 31, 2009 and 2008 or of electricity sales to final customers for the years ended December 31, 2009, 2008 and 2007.

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The allowance for doubtful accounts, by class of customer, is as follows:

| | Year ended December 31, | |
|-----------------------|-------------------------|------|
| | 2009 | 2008 |
| Residential | 83 | 68 |
| Industrial | 40 | 79 |
| Commercial | 77 | 62 |
| Rural | 14 | 14 |
| Governmental entities | 19 | 16 |
| Public services | 5 | 5 |
| | 238 | 244 |

The changes in allowance for doubtful accounts were as follows:

| | Year ended December 31, | | |
|---|-------------------------|-------|------|
| | 2009 | 2008 | 2007 |
| Balance at beginning of the year | 244 | 295 | 297 |
| Accounts written off | (19) | (108) | (95) |
| Additional charged to other operating costs | 13 | 57 | 93 |
| Balance at end of the year | 238 | 244 | 295 |

Table of Contents**8. RECOVERABLE TAXES**

The following table sets forth amounts of taxes recoverable for the dates indicated:

| | 2009 | December 31, 2008 |
|-----------------------------------|------|----------------------|
| Current assets - | | |
| Income tax | 335 | 311 |
| Social contribution tax | 112 | 120 |
| VAT (ICMS) | 197 | 159 |
| PIS-PASEP | 21 | 14 |
| COFINS | 98 | 65 |
| Other | 5 | 3 |
| | 768 | 672 |
| Other non-current assets - | | |
| Income tax | 100 | 163 |
| Social contribution tax | 11 | 11 |
| VAT (ICMS) | 57 | 79 |
| PIS-PASEP | 42 | |
| | 210 | 253 |

The Income and Social Contribution Tax credits refer to amounts calculated in the Company's previous year's tax returns, and advance payments made in 2009, which will be compensated in the Income and Social Contribution taxes payable in 2010.

The credits of VAT (ICMS) recoverable, recorded as Other Non-Current Assets, arise from acquisitions of fixed assets and are realized in 48 months.

9. INVESTMENTS IN AFFILIATES

The following table describes the Company's equity investments:

| | 2009 | December 31, 2008 |
|-------|-------|----------------------|
| TAESA | 1,058 | |

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| | | |
|-------------------|-------|-------|
| EATE | 511 | 183 |
| GASMIG | 431 | 320 |
| Light | 377 | |
| Rio Minas Energia | | 303 |
| Baguari Energia | 179 | 140 |
| ENTE | 154 | 59 |
| ETEP | 98 | 38 |
| Volta do Rio | 88 | |
| EBTE | 77 | 7 |
| Morgado | 69 | |
| Parajuru | 65 | |
| ERTE | 35 | 13 |
| Transchile | 28 | 34 |
| Cachoeirão | 23 | 17 |
| ECTE | 22 | 10 |
| Pipoca | 18 | 4 |
| Centroeste | 17 | 7 |
| Alterosa | 15 | |
| Transleste | 12 | 12 |
| Guanhães | 10 | 10 |
| Transudeste | 9 | 7 |
| Transirapé | 6 | 5 |
| Axxiom | 3 | 3 |
| Other investments | 24 | 31 |
| | 3,329 | 1,203 |

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The investments are analyzed for impairment in accordance with FASB ASC Topic 323, Investments Equity Method and Joint Ventures (APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*).

(a) Acquisition of interest in transmission companies (equity method jointly control)

On September 24, 2008, Brookfield Brasil TBE Participações Ltda., one of the shareholders in transmission companies, exercised its option to sell to CEMIG and Alupar Investimento S.A. in the proportion of 95% and 5%, respectively, its holdings, as follows, in the voting stock of the following companies: 24.99% of the voting stock of EATE; 24.99% of the voting stock of ETEP; 18.35% of the voting stock of ENTE; 18.35% of the voting stock of ERTE; and 7.49% of the voting stock of ECTE.

Completion of the transaction and final acquisition of the shares by CEMIG were approved in 2009 by the Banco Nacional de Desenvolvimento (BNDES) and other financial entities and CEMIG acquired 100% of the shares from the Brookfield. The amount paid is set out in detail below.

| | ETEP | ENTE | ERTE | EATE | ECTE |
|---|-------------|--------------|-------------|--------------|-------------|
| Current assets | 17 | 40 | 7 | 82 | 17 |
| Property, plant and equipment and intangibles | 332 | 744 | 159 | 2,080 | 294 |
| Other assets | 26 | | | 9 | |
| Total assets acquired | 375 | 784 | 166 | 2,171 | 311 |
| Current liabilities | (17) | (65) | (15) | (104) | (35) |
| Long-term financing | (55) | (199) | (31) | (306) | (55) |
| Other long-term liabilities | (1) | (2) | | (3) | |
| Total liabilities | (73) | (266) | (46) | (413) | (90) |
| Net assets | 302 | 518 | 120 | 1,758 | 221 |
| Interest acquired | 19.86% | 18.34% | 18.34% | 17.92% | 5.87% |
| Net assets acquired | 60 | 95 | 22 | 315 | 13 |
| Price paid | 60 | 95 | 22 | 315 | 13 |

(b) Consortia for the Itaocara Hydroelectric Plant, and the Paracambi and Lajes Small Hydro Plants

On July 3, 2008, the Board of Directors authorized Cemig Geração e Transmissão the acquisition of the interest of 49% of the registered capital of the Itaocara Hydro Plant and the Paracambi and Lajes Small Hydro Plants, and to constitute, the following consortia: the Itaocara Hydro Plant Consortium (Consórcio UHE Itaocara), in partnership with Itaocara Energia Ltda.; the Paracambi Small Hydro Plant Consortium (Consórcio BCH Paracambi), in partnership with Lightger Ltda.; and the Lajes Small Hydro Plant Consortium (Consórcio PCH Lajes), in partnership with Light Energia S.A. all having as their object technical and economic feasibility studies, preparation of projects and implementation, operation, maintenance and commercial operation of the respective projects. All private contracts mentioned above are pending authorizations or consents required from the competent regulatory bodies, including ANEEL.

(c) Acquisition of interest in wind farms in 2009 (equity method jointly control)

The Company acquired 49% of the following wind farms in the Brazilian state of Ceará: Parajuru Wind Farm, in the municipality of Beberibe; and Morgado Wind Farm and Volta do Rio Wind Farm in the municipality of Acaraú.

All the electricity to be generated by the wind farms will be sold to Eletrobrás, under the federal government's Alternative Energy Sources Incentive Program (Proinfa).

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The details of the amount paid by CEMIG Geração e Transmissão on August 14, 2009 are as follows:

| | Morgado | Parajuru | Volta do Rio |
|---|--------------|--------------|--------------|
| Current assets | 14 | 14 | 176 |
| Property, plant and equipment and intangibles | 255 | 245 | 207 |
| Other assets | 4 | | |
| Total assets acquired | 273 | 259 | 383 |
| Current liabilities | (4) | (12) | (26) |
| Long-term financing | (126) | (112) | (175) |
| Other long-term liabilities | | | (2) |
| Total liabilities | (130) | (124) | (203) |
| Net assets | 143 | 135 | 180 |
| Interest acquired | 49% | 49% | 49% |
| Net assets acquired | 70 | 66 | 88 |
| Price paid | 70 | 66 | 88 |

(d) Acquisition of interest in TAESA, previously denominated as Terna Participações S.A. (Terna) of Terna Participações S.A. (equity method jointly control)

On April 23, 2009 Cemig Geração e Transmissão signed a share purchase agreement with Terna Rete Elettrica Nazionale S.p.A (Terna S.p.A), an interest of 65.85% in Terna Participações S.A., a holding company operating in electricity transmission, with a presence in 11 of Brazil's States, for R\$2,150. The holding company controls a total of six companies which, in aggregate, operate a total of more than 3,750 km of transmission lines. The acquisition was pending authorizations or consents required from the competent regulatory bodies, including ANEEL.

On August 5, 2009 CEMIG's Board of Directors approved, as an alternative to acquisition of all of the shares of Terna held by Terna S.p.A. According to an optional term under the Share Purchase Agreement signed between Cemig Geração e Transmissão and Terna S.p.A., there was a possibility of reducing the final shareholding interest to be held by Cemig Geração e Transmissão in that acquisition. The reduction would set a minimum level of 50% less 1 (one) common share. Regarding the preferred shares, the reduction is limited to the percentage realized in the Public Offer to Purchase the shares of the minority shareholders of that Company, through a partnership to be constituted with Fundo de Investimentos em Participação Coliseu (FIP Coliseu).

The Board of Directors authorized the transfer of the Purchase and Sale Agreement of the acquisition of Terna to the transmission company Transmissora Atlântico de Energia Elétrica (Atlântico). The Council established the Cemig Geração e Transmissão retain its stake in TAESA represents 49% of the shares issued by Atlântico, in association with the FIP Coliseu, holding the remaining 51% of the shares.

On October 19, 2009 Cemig Geração e Transmissão announced Completion of the Public Distribution of Units of the First Issue by FIP Coliseu, structured by Banco Modal S.A., in the total amount of R\$1,330. This amount was sufficient for this fund to acquire 51% of the common shares

of Terna.

On October 30, 2009, Cemig Geração e Transmissão and FIP Coliseu provided financial resources to Atlântico.

On November 3, 2009 the Share Purchase Agreement signed with Terna S.p.A. was settled, with payment and transfer of the shares owned by Terna to Atlântico in which Cemig Geração e Transmissão holds 49% of the registered capital. The transaction involved the purchase of 173,527,113 common shares, representing approximately 65.85% of the total capital of Terna.

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The details of the amount paid by CEMIG Geração e Transmissão on November 3, 2009 are as follows:

| | TAESA |
|---|----------------|
| Current assets | 265 |
| Property, plant and equipment | 5,554 |
| Other assets | 77 |
| Total assets acquired | 5,896 |
| Current liabilities | (792) |
| Long-term financing | (902) |
| Other long-term liabilities | (597) |
| Total liabilities | (2,291) |
| Net consolidated assets | 3,263 |
| Interest acquired | 32.27% |
| Net consolidated assets acquired | 1,053 |
| Price paid | 1,053 |

10. PROPERTY, PLANT AND EQUIPMENT, NET AND INTANGIBLES

a) Property, Plant and Equipment

The following table describes the consolidated property, plant and equipment:

| | Annual average rate of depreciation % | 2009 | December 31, 2008 |
|---|---|---------|----------------------|
| In service | | | |
| Generation- | | | |
| Hydroelectric * | 2.49 (from 2.00% to 20.00%) | 10,496 | 10,439 |
| Thermoelectric | 3.98 (from 2.00% to 20.00%) | 260 | 260 |
| | | 10,756 | 10,699 |
| Transmission | 3.08 (from 2.00% to 20.00%) | 1,846 | 1,723 |
| Distribution | 4.71 (from 2.00% to 20.00%) | 12,657 | 11,983 |
| Administration | 12.69 (from 3.00% to 20.00%) | 509 | 524 |
| Telecom | 6.72 (from 2.00% to 20.00%) | 380 | 336 |
| | | 26,148 | 25,265 |
| Accumulated depreciation and amortization | | | |
| Generation Hydroelectric and thermoelectric * | | (5,268) | (5,047) |

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| | | |
|--|----------|----------|
| Transmission | (1,103) | (1,025) |
| Distribution | (6,802) | (6,448) |
| Administration | (411) | (414) |
| Telecom | (189) | (162) |
| | (13,773) | (13,096) |
| Total in service | 12,375 | 12,169 |
| Construction in progress | | |
| Generation * | 140 | 261 |
| Transmission | 106 | 64 |
| Distribution | 1,154 | 1,092 |
| Administration | 63 | 119 |
| Telecom | 25 | 28 |
| Total in construction in progress | 1,488 | 1,564 |
| Total of property, plant and equipment | 13,863 | 13,733 |

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Interest cost capitalized during the years ended December 31, 2009 and 2008 was R\$83 and R\$155, respectively.

The assets and installations used for generation, distribution and sales are tied to these services, and may not be removed, disposed of, assigned or given in mortgage guarantee without prior authorization from the Regulatory Agency. ANEEL regulates the release of assets and concessions of the Public Electric Energy Service, granting prior authorization for the release of assets that are of no use to the concession, when intended for sale, establishing that the proceeds of the sale should be deposited in a tied bank account for investment in the concession.

The Company's evaluation of impairment in 2009 and 2008 did not result in any significant impairment of property, plant and equipment and intangible assets.

At the end of concession, the property, plant and equipment connected to the service will be reverted to the Concession Authority. The concessionaire is entitled to indemnification for its investments in expropriated assets that have not been fully amortized or depreciated.

In accordance with normal practice in Brazil for electric utilities, from time to time, CEMIG constructs distribution systems for the benefit of consumers for which the consumer reimburses the cost. These reimbursements are accounted for as a reduction to the cost basis of the related assets as they are received.

Consortia *

CEMIG is a partner in certain consortia for electricity generation projects. Each partner has the right to take energy generated by the power plant in an amount proportional to the partner's investment. These projects are governed by executor contracts which establish the rights and obligations of each party.

CEMIG's participation in consortia, represented by amounts invested in the projects and which are included in the previous table, is as follows:

| | CEMIG's Participation % | 2009 | December 31, 2008 |
|--|-------------------------------|-------|----------------------|
| In service- | | | |
| Queimado Hydroelectric Power Plant | 82.50 | 234 | 209 |
| Funil Hydroelectric Power Plant | 49.00 | 165 | 163 |
| Igarapava Hydroelectric Power Plant | 14.50 | 56 | 56 |
| Porto Estrela Hydroelectric Power Plant | 33.33 | 55 | 55 |
| Aimorés Hydroelectric Power Plant | 49.00 | 705 | 692 |
| Amador Aguiar I and II Hydroelectric Power Plant | 21.05 | 54 | 54 |
| (-) Accumulated depreciation | | (156) | (126) |

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| | | |
|------------------------------------|-------|-------|
| | 1,113 | 1,103 |
| Construction in progress- | | |
| Queimado Hydroelectric Power Plant | 82.50 | 25 |
| Aimorés Hydroelectric Power Plant | 49.00 | 11 |
| Funil Hydroelectric Power Plant | 49.00 | 2 |
| Baguari Hydroelectric Power Plant | 34.00 | 5 |
| | | 43 |
| | 1,113 | 1,146 |

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The participation of the other partners in energy generation from consortia is as follows:

| Consortium - Power Plants | Consortium participants, other than CEMIG | Participation (%) |
|--------------------------------------|---|--------------------------|
| Porto Estrela Hydroelectric | Companhia de Tecidos Nortes de Minas Gerais - COTEMINAS | 33.34 |
| | Vale S.A. | 33.33 |
| Igarapava Hydroelectric | Vale S.A. | 38.15 |
| | Companhia Mineira de Metais - CMN | 23.93 |
| | Companhia Siderúrgica Nacional - CSN | 17.92 |
| | Mineração Morro Velho - MMV | 5.50 |
| Funil Hydroelectric | Vale S.A. | 51.00 |
| Queimado Hydroelectric | Companhia Energética de Brasília | 17.50 |
| Aimorés Hydroelectric | Vale S.A. | 51.00 |
| Amador Aguiar I and II Hydroelectric | Vale S.A. | 48.43 |
| | Comercial e Agrícola Paineiras Ltda. | 17.89 |
| | Companhia Mineira de Metais - CMN | 12.63 |
| Baguari Hydroelectric | Furnas Centrais Elétrica S.A | 15.00 |
| | Baguari I Geração de Energia Elétrica S.A | 51.00 |

b) Intangibles

| | 2009 | December 31, 2008 |
|-----------------------------------|-------------|------------------------------|
| Intangibles gross carrying amount | 462 | 426 |
| Accumulated amortization | (211) | (148) |
| Total of Intangibles | 251 | 278 |

11. ESCROW DEPOSITS

The escrow deposits relate principally to tax and labor issues.

The escrow deposits are mainly comprised of litigation, tax refer to ITCMD - Imposto de Transmissão Causa Mortis e Doação (Inheritance and Donation Tax), Social Security and income tax obligations related to indemnity for the Anuênio and profit and PASEP/COFINS related to exclusion of Value-added tax (ICMS) from the tax basis.

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| | 2009 | December 31, 2008 |
|-----------------------------------|------|----------------------|
| Litigation | 203 | 157 |
| Tax obligations | | |
| PASEP/COFINS | 297 | 96 |
| ITCMD | 49 | 50 |
| Income tax on interest on Capital | 14 | |
| Others | 100 | 48 |
| | 663 | 351 |

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| | 2009 | December 31, | 2008 |
|---|------|--------------|------|
| Electricity suppliers- | | | |
| Eletrobrás Energy from Itaipu | 137 | | 169 |
| Furnas Centrais Elétricas S.A. | 56 | | 68 |
| Spot market CCEE/MAE | 20 | | 76 |
| Payments to generators due to the extraordinary rate tariff RTE. Resolution No. 387 ANEEL | 30 | | |
| Others | 211 | | 178 |
| | 454 | | 491 |
| Supplies and services | 216 | | 228 |
| | 670 | | 719 |
| Current liabilities | 668 | | 719 |
| Other non-current liabilities | 2 | | |

Due to the agreement established between CEMIG, ANEEL and market agents, the amounts due to CCEE/MAE were due on September 2009 and were adjusted using the SELIC rate plus annual interest of 1%. The conclusion of some court proceedings in progress, brought by market agents, in relation to the interpretation of the rules in force at the time of the realization of the transactions in the ambit of the CCEE/MAE, may result in changes in the amounts recorded. (See Note 4).

On December 15, 2009, ANEEL issued the Resolution No. 387, which established that the balance of the Free Energy and Loss of Revenue, after the close of the collection of the Extraordinary Rate Tariff - RTE to supply tariffs of distribution companies should be recalculated using a new methodology.

The final transfer of free energy corresponds to the sum of the monthly differences, positive or negative, between the financial transfers of Free Energy made according to criteria defined and effectively transfers already made, plus the financial remuneration for the SELIC rate from the date of occurrence of difference to the closing date of the recovery of RTE in supply tariffs. The amount to be passed on to the Generators is updated based on the SELIC rate plus annual interest of 1%.

13. TAXES PAYABLE

The following table describes taxes payable:

| | 2009 | December 31, | 2008 |
|--|------|--------------|------|
|--|------|--------------|------|

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| | | |
|-------------------------|-----|-----|
| Current - | | |
| Income tax | | 44 |
| | 32 | |
| Social contribution tax | | 17 |
| | 11 | |
| VAT (ICMS) | | 277 |
| | 288 | |
| Tax on revenue COFINS | | 80 |
| | 60 | |
| Tax on revenue PASEP | | 17 |
| | 18 | |
| Others | | 36 |
| | 42 | |
| | 451 | 471 |
| Long-term - | | |
| Income tax | | 1 |
| | | |
| Tax on revenue COFINS | | 75 |
| | 277 | |
| Tax on revenue PASEP | | 30 |
| | 60 | |
| Others | | 1 |
| | 1 | |
| | 338 | 106 |
| | 789 | 577 |

The long-term PASEP and COFINS obligations refer to the legal proceedings challenging the constitutionality of inclusion of the ICMS tax in the basis of calculation of the taxable amount for these taxes. The action also applies for offsetting of the amounts paid in the last 10 years. The Company has obtained interim relief from the court allowing it not to make the payment and authorizing payment through court deposits starting in 2008.

Table of Contents**14. FINANCING**

(a) The following tables describe the Company's financings:

| LENDERS | Payments of Principal | Annual Interest Rates (%) | Currency | December 31, | | | 2008 Total |
|--|----------------------------|---------------------------|----------|-----------------|--------------|--------------|---------------|
| | | | | 2009 Current | Long Term | Total | |
| IN LOCAL CURRENCY | | | | | | | |
| Banco Credit Suisse First Boston S.A. II | Single payment in 2010 | 106.00% of CDI | R\$ | 75 | | 75 | 75 |
| Banco do Brasil S.A. III and VII | Single payment in 2012 | 111.00% of CDI | R\$ | 41 | 79 | 120 | 121 |
| Banco do Brasil S.A. | Single payment in 2012 | 110.00% of CDI | R\$ | 262 | 503 | 765 | |
| Banco do Brasil S.A. IV and VIII | Annually through 2013 | CDI + 1.70 | R\$ | 31 | 82 | 113 | 114 |
| Banco do Brasil S.A. V and IX | Single payment in 2013 | 107.60% of CDI | R\$ | 8 | 126 | 134 | 138 |
| Banco do Brasil S.A. | Annually through 2014 | 104.10% of CDI | R\$ | 19 | 1,200 | 1,219 | 1,230 |
| Banco Itaú BBA IV and VII | Annually through 2013 | CD + 1.70 | R\$ | 86 | 226 | 312 | 316 |
| Banco Itaú BBA IV and VII | Annually through 2014 | CD + 1.70 | R\$ | | 3 | 3 | 4 |
| Banco Votorantim S.A. I and III | Single payment in 2010 | 113.50% of CDI | R\$ | 55 | | 55 | 55 |
| Banco Votorantim S.A. II, III, IV | Annually through 2013 | CDI + 1.70 | R\$ | 26 | 76 | 102 | 103 |
| Banco Nacional de Desenvolvimento Econômico e Social - BNDES | Monthly through 2026 | TJLP + 2.34 | R\$ | 5 | 119 | 124 | |
| Bradesco S.A. II, III | Annually through 2013 | CDI + 1.70 | R\$ | 1 | 1 | 2 | 2 |
| Bradesco S.A. II, III | Annually through 2014 | CDI + 1.70 | R\$ | 109 | 283 | 392 | 399 |
| Bradesco S.A. (3) | Single payment in 2010 | 113.00% of CDI | R\$ | 2,742 | | 2,742 | |
| Debentures II | Single payment in 2009 | CDI + 1.20 | R\$ | | | | 357 |
| Debentures II | Single payment in 2011 | 104% of CDI | R\$ | 3 | 239 | 242 | 244 |
| Debentures III Minas Gerais State Government | Through various | IGP-M | R\$ | | 37 | 37 | 33 |
| Debentures IV | Single payment in 2014 | IGP-M + 10.50 | R\$ | 18 | 301 | 319 | 325 |
| Debentures V | Single payment in 2017 | IPCA + 7.96 | R\$ | 2 | 444 | 446 | 428 |
| ELETRORÁS I and III | Monthly through 2013 | FINEL + 7.50 and 8.50 | R\$ | 12 | 36 | 48 | 61 |
| ELETRORÁS IV | Quarterly thorough 2023 | UFIR + 6.00 to 8.00 | R\$ | 46 | 307 | 353 | 370 |
| Large consumers C.V.R.D. | Semi-annually through 2011 | Various | R\$ | 3 | 3 | 6 | 5 |
| Banco Santander Brasil S.A. I and II | Annually through 2013 | CDI + 1.70 | R\$ | 21 | 60 | 81 | 81 |
| UNIBANCO V | Single payment in 2009 | CDI + 2.98 | R\$ | | | | 107 |
| UNIBANCO VI and X | Annually through 2013 | CDI + 1.70 | R\$ | 87 | 232 | 319 | 322 |
| UNIBANCO I | Annually through 2013 | CDI + 1.70 | R\$ | 23 | 55 | 78 | 81 |
| Banco Itaú and Bradesco (2) | Semi-annually through 2015 | CDI + 1.70 | R\$ | 147 | 804 | 951 | 990 |
| Banco do Nordeste do Brasil | Single payment in 2010 | TR + 7.30 | R\$ | 38 | | 38 | 105 |
| Others | Through various | Various | R\$ | | 11 | 11 | |
| Total local currency | | | | 3,860 | 5,227 | 9,087 | 6,066 |

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| LENDERS | Payments of Principal | Annual Interest Rates (%) | Currency | Current | December 31, 2009 | | 2008 |
|---|----------------------------|---------------------------|----------|--------------|-------------------|--------------|--------------|
| | | | | | Long Term | Total | |
| | | | | | R\$ million | | Total |
| IN FOREIGN CURRENCY | | | | | | | |
| ABN AMRO Bank N. II | Annually through 2013 | 6.00 | US\$ | 22 | 65 | 87 | 117 |
| ABN AMRO Real S.A. III, IV and V | Semi-annually through 2009 | 6.35 | US\$ | | | | 17 |
| Banco do Brasil S.A. Various (1) | Semi-annually through 2024 | Various | US\$ | 9 | 58 | 67 | 94 |
| Banco do Brasil S.A. II | Single payment in 2009 | 3.90 | JPY | | | | 100 |
| Banco Paribas II | Semi-annually through 2012 | 5.89 | EURO | 3 | 4 | 7 | 13 |
| Banco Paribas I and III | Semi-annually through 2010 | Libor + 1.87 | US\$ | 10 | | 10 | 42 |
| KFW | Semi-annually through 2016 | 4.50 | EURO | 2 | 10 | 12 | 17 |
| UNIBANCO I, III e VIII | Through various | 6.50 | US\$ | | | | 11 |
| UNIBANCO III and V | Single payment in 2009 | 5.50 | US\$ | | | | 5 |
| UNIBANCO IV and IX | Single payment in 2009 | 5.00 | US\$ | | | | 20 |
| Toshiba do Brasil S.A. | Quarterly through 2011 | Libor + 6.00 | US\$ | 7 | | 7 | 9 |
| Total foreign currency financing | | | | 53 | 137 | 190 | 445 |
| TOTAL | | | | 3,913 | 5,364 | 9,277 | 6,511 |

(1) These interest rates vary from 2.00 to 8.00% per year;

(2) Refers to senior quotas of the FIDC;

(3) Promissory notes from CEMIG Geração e Transmissão.

(b) Composition of foreign currency financings and domestic currency financings by indices:

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 and thereafter | Total |
|--|-----------|-----------|-----------|-----------|----------|----------|----------|---------------------|------------|
| Currency - | | | | | | | | | |
| United States Dollars | 48 | 30 | 28 | 26 | 2 | | | 37 | 171 |
| Euro | 5 | 4 | 3 | 2 | 2 | 2 | 1 | | 19 |
| | 53 | 34 | 31 | 28 | 4 | 2 | 1 | 37 | 190 |
| Index - | | | | | | | | | |
| <i>Certificado de Depósito Interbancário</i> (Interbank deposit rate) <i>CDI</i> | 3,736 | 1,009 | 1,169 | 1,015 | 549 | 227 | | | 7,705 |
| <i>Índice Geral de Preços de Mercado</i> (General Market Price Index) <i>IGP-M</i> | 18 | | | | 301 | | | 37 | 356 |
| <i>Unidade Fiscal de Referência</i> (Tax Reference Unit) <i>UFIR</i> | 46 | 53 | 50 | 44 | 43 | 38 | 31 | 48 | 353 |
| <i>Índice Interno da Eletrobrás</i> (Eletrobrás Internal Index) <i>FINEL</i> | 12 | 12 | 12 | 12 | | | | | 48 |
| <i>Índice de Preço ao Consumidor Amplo</i> (Consumer Price Index) <i>IPCA</i> | 2 | 1 | 1 | | | 148 | 148 | 148 | 448 |
| <i>Taxa Referencial</i> (Referencial Tax Index) <i>TR</i> | 38 | | | | | | | | 38 |
| <i>Unidade de Referência de Taxa de Juros</i> <i>URTJ</i> | 5 | 10 | 10 | 10 | 10 | 8 | 8 | 73 | 134 |
| Others | 3 | | | | 1 | 1 | | | 5 |

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| | | | | | | | | |
|-------|-------|-------|-------|-----|-----|-----|-----|-------|
| 3,860 | 1,085 | 1,242 | 1,081 | 904 | 422 | 187 | 306 | 9,087 |
| 3,913 | 1,119 | 1,273 | 1,109 | 908 | 424 | 188 | 343 | 9,277 |

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(c) The following table sets forth the variations for the periods indicated in the foreign currency / Brazilian *real* exchange rates for the principal foreign currencies used to restate financing, expressed as a percentage:

| | 2009 | Year ended December 31, 2008 | 2007 |
|-----------------------|---------|---------------------------------|---------|
| Currency- | | | |
| United States Dollars | (25.49) | 31.94 | (17.15) |
| Japanese Yen | (27.10) | 62.89 | (11.78) |
| Euro | (22.57) | 24.13 | (7.50) |

(d) The following table sets forth the variations for the periods indicated of the principal indices applied to domestic currency financing, expressed as a percentage:

| | 2009 | Year ended December 31, 2008 | 2007 |
|--------|--------|---------------------------------|-------|
| Index- | | | |
| CDI | 9.93 | 12.32 | 11.82 |
| IGP-M | (1.72) | 9.81 | 7.75 |
| SELIC | 9.84 | 12.48 | 11.88 |
| FINEL | (0.35) | 1.90 | 1.51 |

(e) The movement on financing is as follows:

| | 2009 | Year ended December 31, 2008 | |
|---|------|---------------------------------|--------------|
| Balance at beginning of year | | 6,511 | 6,814 |
| Loans and financings | | 3,614 | 176 |
| Monetary and Foreign currency variation | | 19 | 322 |
| Financial charges provisioned | | 581 | 650 |
| Financial charges paid | | (577) | (644) |
| Amortization of financings | | (884) | (807) |
| Others | | 13 | |
| Balance at end of year | | 9,277 | 6,511 |

(f) The consolidated totals of funds raised in 2009 are as follows:

| Loans / financing sources | Principal maturity | Annual cost | Amount raised |
|------------------------------------|--------------------|-------------|---------------|
| IN LOCAL CURRENCY | | | |
| <i>Cemig Geração e Transmissão</i> | | | |
| Banco Bradesco S.A. | 2010 | 113% of CDI | 2,700 |
| Banco do Brasil S.A. | 2012 | 110% of CDI | 153 |

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| | | | | |
|------------------------------------|-------|------|--------------|--------------|
| Banco do Brasil S.A. | | 2012 | 110% of CDI | 428 |
| Banco do Brasil S.A. | | 2012 | 110% of CDI | 10 |
| Banco do Brasil S.A. | | 2012 | 110% of CDI | 7 |
| Banco do Brasil S.A. | | 2012 | 110% of CDI | 8 |
| Banco do Brasil S.A. | | 2012 | 110% of CDI | 57 |
| BNDES | | 2026 | TJLP + 2.34% | 107 |
| BNDES | | 2026 | TJLP + 2.34% | 10 |
| BNDES | | 2026 | TJLP + 2.34% | 5 |
| Construtora Quebec Ltda | | 2012 | IPCA | 1 |
| Energ Power Ltda | | 2012 | IPCA | 1 |
| Financiadora de Estudos e Projetos | FINEP | 2015 | URTJ + 5.00 | 4 |
| Financiadora de Estudos e Projetos | FINEP | 2015 | URTJ + 5.00 | 4 |
| <i>Cemig Distribuição</i> | | | | |
| ELETROBRÁS | | 2013 | 6.50% | 2 |
| ELETROBRÁS | | 2015 | 7.00% | 26 |
| Banco do Brasil S.A. | | 2012 | 111% of CDI | 20 |
| Banco do Brasil S.A. | | 2012 | 111% of CDI | 7 |
| Banco do Brasil S.A. | | 2012 | 111% of CDI | 4 |
| Banco do Brasil S.A. | | 2012 | 111% of CDI | 6 |
| Banco do Brasil S.A. | | 2012 | 111% of CDI | 9 |
| Banco do Brasil S.A. | | 2012 | 111% of CDI | 35 |
| Banco do Brasil S.A. | | 2012 | 111% of CDI | 3 |
| Banco do Brasil S.A. | | 2012 | 111% of CDI | 7 |
| Total raised | | | | 3,614 |

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(g) Restrictive Covenants

Certain of CEMIG's loans, financing agreements and debentures contain certain financial covenants which are calculated using financial statements prepared in accordance with Brazilian GAAP.

The main covenants in existence on December 31, 2009 are as follows:

| Subject of covenant | Index required |
|--------------------------------------|----------------------------|
| Debt / Ebitda | Less than or equal to 2,5 |
| Debt / Ebitda | Less than or equal to 3,36 |
| Net debt/Ebitda | Less than or equal to 3,25 |
| Current debt/Ebitda | Less than or equal to 90% |
| Debt/Shareholders' equity + debt | Less than or equal to 53% |
| Ebitda/Interest on debt | More than or equal to 2,8 |
| Ebitda / Interest | More than or equal to 3,0 |
| Ebitda/(Financial income (expenses)) | More than or equal to 2,0 |
| Capital expenditure / Ebitda | Less than or equal to 60% |

Net debt = Total debt less (cash balance plus tradable securities)

Ebitda= earnings before interest, taxes on profit, depreciation and amortization, In some contracts specific criteria are established for calculation of Ebitda, with some variations from this formula.

Certain restrictive covenants mentioned above were not complied with, as follows:

| Description of the restrictive covenant | Index required | Position on December 31, 2009 | Outstanding debt |
|---|---------------------------|-------------------------------|------------------|
| CEMIG Geração e Transmissão | | | |
| Debt / (Shareholders' equity + Debt) | Less than or equal to 53% | 61.22% | 179 |
| CEMIG Distribuição | | | |
| Capital expenditure / Ebitda | Less than or equal to 60% | 92.42% | 142 |
| Debt/Ebitda | Less than or equal to 2.5 | 2.78 | 87 |

The Company obtained waivers from the creditors consenting that it would not exercise its right to demand immediate or early payment of the amount owed up to January 1, 2011. The financings are classified as Current liabilities and Non-current liabilities, in accordance with the original terms of the contract, in view of those consents obtained.

15. REGULATORY CHARGES PAYABLE

The following table describes the Company's regulatory charges payable:

| | 2009 | December 31, | 2008 |
|------------------------------------|-------------|---------------------|-------------|
| Global reserve for reversion quota | 35 | | 32 |
| Fuel usage quota | 12 | | 42 |
| Emergency capacity charge | 35 | | 36 |
| Energy development account | 34 | | 30 |
| Energy efficiency and R&D program | 333 | | 327 |
| Parcel A | 110 | | |
| Other | 20 | | 13 |
| | 579 | | 480 |
| Current liabilities | 317 | | 460 |
| Non-current liabilities | 262 | | 20 |

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(a) Global reserve for reversion quota:

The global reserve for reversion quota was established as a fund managed by ELETROBRÁS (*Centrais Elétricas Brasileiras S.A.*, the Federal Government-owned holding company for investments in the Brazilian power sector) for the purpose of reimbursement of electricity companies investments when their concessions expire and assets subject to the concession revert to the Federal Government. It is funded through assessments on power companies and is based on 2.5% of assets in service, limited to 3% of total annual operating revenues, net of value-added tax on sales to final customers.

(b) Fuel usage quota:

The fuel usage quota represents contributions made by the electricity company concessionaires to subsidize the cost of fuel used in the thermoelectric energy generating process in the Brazilian power system.

(c) Emergency capacity charge:

The emergency capacity charge represents a charge established in 2002, which is prorated among final consumers of electric energy, and relates to the acquisition of energy and contracted generation capacity by the *Comercializadora Brasileira de Energia Elétrica* (The Brazilian Emergency Energy Trader or CBEE).

(d) Energy development account:

The energy development account was created by Law No. 10.438/02 to foster energy development in the states and to promote competition regarding energy produced through wind farms, small hydroelectric power plants, biomass, natural gas and coal. The amounts to be paid by CEMIG were defined by ANEEL Resolution No. 42 dated January 31, 2003.

(e) Energy efficiency and R&D program

In compliance with the regulation of the electric power sector, the electric power distributors and generators are required to spend 1% of their net revenues in energy efficiency and research and development programs. The percentage is included annually in CEMIG's revenues through a rate adjustment stipulated by ANEEL, which should be dedicated to this program.

16. EMPLOYEE POST-RETIREMENT BENEFITS

The Company sponsors a pension plan, administered by *Fundação Forluminas de Seguridade Social* - FORLUZ (Forluminas Social Security Foundation, or FORLUZ) covering substantially all of its employees. The Company has applied ASC Topic 715 as from January 1, 1995. However, amortization of the net transition obligation existing at January 1, 1995 has been computed retroactively as if it had been established on January 1, 1989, which is the date that ASC Topic 715 first became applicable for non-U.S. pension funds.

Until October 1997, the Company sponsored only a defined benefit pension plan. From September 29, 1997 to May 1, 1998, participants were permitted to elect to migrate to a new defined contribution plan. Those participants who elected to join the new plan had two options. The first was to maintain the benefit earned up to the date of migration in the defined benefit plan, with no further increases for salary increases or future services, and future contributions would be made to the new plan to the individual account. The second option for those participants who migrated to the defined contribution plan was to transfer the accumulated benefit as of that date to their individual account in the defined contribution plan. In both alternatives, the participants became fully vested in the benefits accumulated as of the migration date.

Under the defined contribution plan the Company will match the employees' contributions from 3% to 12% of each employee's salary, depending on certain factors. The total assets in the defined contribution plan (which is also administered by FORLUZ) as of December 31, 2009 and 2008 was R\$2,767 and R\$2,386, respectively, and the contribution expense for the years ended December 31, 2009, 2008 and 2007 was R\$43, R\$49 and R\$34, respectively.

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CEMIG has also established post-retirement health care and dental plans and pays life insurance premiums for retirees. The accounting for these benefits is in accordance with SFAS N° 106 Employers Accounting for Post-retirement Benefits other than Pensions (included in ASC Topic 715).

CEMIG's measurement date for its employee post-retirement benefits is December 31.

The Company adopted SFAS No. 158 (included in ASC Topic 715), effective on December 31, 2006, which requires recognition of an asset or liability in the balance sheet reflecting the funded status of pension and other post-retirement benefit plans with current-year changes in the funded status recognized in shareholders' equity. The Company recognized a cumulative adjustment, net of tax, to adopt the recognition provisions of SFAS No. 158 as of December 31, 2006.

Amortization of deficit in actuarial reserves

Part of the post-retirement benefit liabilities, in the amount of R\$904, as of December 31, 2009 (R\$942 as of December 31, 2008), was recognized as obligations payable by the Company. These obligations are being amortized through monthly installments, through June 2024, calculated under the fixed-installment system (Price Table). Part of these amounts is restated annually according to the salary adjustment index for the Company's employees (not including productivity) included in the defined benefit plan, and part is adjusted according to the IPCA IPEAD (consumer price index calculated by the Minas Gerais Accounting Management and Economic Research Institute of Minas Gerais Federal University), plus 6% per year.

In case FORLUZ reports a surplus for three consecutive years, such surplus may be used to reduce CEMIG's obligations mentioned in the previous paragraph, as contractually agreed. Therefore, the surplus presented by FORLUZ in 2006, in the amount of R\$207, was used to reduce the Company's debt mentioned above and therefore the annual payments of contributions from CEMIG to Forluz. Such compensation does not represent a reduction on CEMIG's benefit obligation, which is measured according to actuarial criteria.

The reconciliation of funded status of the plan is as follows:

| | Defined benefit pension plan Year ended December 31, | | Post-retirement health care, insurance and dental benefits Year ended December 31, | |
|------------------------------|---|---------|--|------|
| | 2009 | 2008 | 2009 | 2008 |
| Projected Benefit obligation | 5,850 | 5,572 | 951 | 922 |
| Fair Value of plan assets | (5,411) | (4,654) | | |
| Funded status | 439 | 918 | 951 | 922 |

The change in benefit obligations for the years ended December 31, 2009 and 2008 is as follows:

| | | Defined benefit pension plan | | Post-retirement health care, insurance and dental benefits | |
|-------------------------------|-------------------|------------------------------|-------|---|------|
| | | Year ended December 31, | | Year ended December 31, | |
| | | 2009 | 2008 | 2009 | 2008 |
| Projected Benefit obligation | beginning of year | 5,572 | 5,789 | 922 | 900 |
| Service cost | | 5 | 6 | 11 | 45 |
| Interest cost | | 549 | 543 | 93 | 84 |
| Actuarial (gain) loss | | 122 | (387) | (30) | (65) |
| Benefits paid to participants | | (398) | (379) | (45) | (42) |
| Projected Benefit obligation | end of year | 5,850 | 5,572 | 951 | 922 |

The Accumulated Benefit Obligation as of December 31, 2009 and 2008 amounted to R\$5,681 and R\$5,445, respectively, and the contributions expected to be paid to the defined benefit pension plan and other plans for the next year are R\$161 and R\$42, respectively.

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The change in plan assets for the years ended December 31, 2009 and 2008 is as follows:

| | Defined benefit pension plan Year ended December 31, | | Post-retirement health care, insurance and dental benefits Year ended December 31, | |
|--|---|-------|--|------|
| | 2009 | 2008 | 2009 | 2008 |
| Fair market value of plan assets beginning of year | 4,654 | 4,385 | | 33 |
| Employer contributions | 155 | 165 | 45 | 42 |
| Actual return on plan assets | 1,000 | 483 | | (33) |
| Benefits paid to participants | (398) | (379) | (45) | (42) |
| Fair market value of plan assets end of year | 5,411 | 4,654 | | |

The changes in benefit obligations (net of taxes) recognized in Accumulated other comprehensive income for the years ended December 31, 2009, 2008 and 2007, net of taxes, are as follows:

| | 2009 | 2008 | 2007 |
|---|-------|-------|-------|
| Accumulated other comprehensive income at beginning of year | 711 | 1,010 | 610 |
| Increase (decrease) in liability | (253) | (299) | 400 |
| Accumulated other comprehensive income at the end of year | 458 | 711 | 1,010 |

The components of accumulated other comprehensive loss/income (ASC Topic 715) ended December 31, 2009 are as follows:

| | Defined benefit pension plan | Post-retirement health care, insurance and dental |
|---|---------------------------------|--|
| Transition obligation (asset) not yet recognized in net periodic pension cost (NPPC) at beginning of period | | 7 |
| Transition obligation (asset) recognized in NPPC during period | | (5) |
| Prior service cost (credit) not yet recognized in NPPC at beginning of period | 90 | 52 |
| Prior Service Cost (credit) recognized in NPPC during period | (10) | (6) |
| Gain/loss not yet recognized in NPPC at beginning of period | 254 | 146 |
| Gain/loss recognized in NPPC during period | | (12) |
| Total net actuarial (gain)/ loss arising during period | (320) | (30) |
| Total accumulated in other comprehensive loss as of 12/31/2009 | 14 | 152 |

The components of net periodic benefit costs for years ended December 31, 2009, 2008 and 2007 are as follows:

| Defined benefit pension plan | Post-retirement health care, insurance and dental benefits |
|------------------------------|---|
|------------------------------|---|

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| | Year ended December 31, | | | Year ended December 31, | | |
|---------------------------------------|-------------------------|-------|-------|-------------------------|------|------|
| | 2009 | 2008 | 2007 | 2009 | 2008 | 2007 |
| Service cost | 5 | 6 | 5 | 11 | 45 | 36 |
| Interest cost | 549 | 543 | 545 | 93 | 84 | 86 |
| Expected return on plan assets | (558) | (481) | (566) | | (4) | (4) |
| Amortization of transition obligation | | | | 5 | 5 | 5 |
| Amortization of loss (gain) | | 38 | | 12 | 12 | 9 |
| Expected Employee contribution | | | | | (34) | (26) |
| Amortization of prior service cost | 10 | 10 | 10 | 6 | 6 | 5 |
| Net periodic benefit cost | 6 | 116 | (6) | 127 | 114 | 111 |

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The components of the projected net periodic post-retirement benefit costs for 2010 are as follows:

| | Defined benefit pension plan | Post-retirement health care, insurance and dental |
|---------------------------------------|---------------------------------|--|
| Service cost | 5 | 11 |
| Interest cost | 605 | 100 |
| Expected return on plan assets | (597) | |
| Amortization of prior service cost | 10 | 6 |
| Amortization of transition obligation | | 1 |
| Amortization of loss | | 7 |
| | 23 | 125 |

The weighted-average and amount asset allocation by asset category is as follows:

| Type of investment | 2009 | Defined benefit pension plan, Post-retirement health care and Dental | | | Target asset allocation as per FORLUZ Investment Committee percentage or range of percentages |
|--------------------|---------|--|---------|-------|---|
| | | Asset allocation at December 31, | | R\$ | |
| | | R\$ | 2008 | R\$ | |
| Debt Securities | 83.63 | 6,839 | 85.46 | 6,016 | Up to 100% |
| Equity Securities | 10.36 | 847 | 8.56 | 603 | Up to 20% |
| Real Estate | 3.01 | 246 | 3.03 | 213 | Up to 8% |
| Participant loans | 3.00 | 246 | 2.95 | 208 | Up to 15% |
| Total | 100.00% | 8,178 | 100.00% | 7,040 | |

Investment policies:

- FORLUZ Investment Committee determines investment guidelines;
- Investment objectives: achieve the minimum actuarial yield (IPCA/IPEAD plus 6% per year), in both long and short terms;
- Types of allowed investments: Fixed income – low credit risk assets, shares, real estate and loans to participants;
- Types of investments not allowed: medium and high credit risk assets, foreign currencies and others according to the Brazilian legislation;
- Use of derivatives: with the purpose of hedging exposures to significant risks.

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Benchmarks for investing plan assets:

- Debt securities: Market quotations - CDI, IGP-M, INPC (1), IPCA/IBGE (2);
- Equity securities: Market quotations for traded securities and estimated selling price for non-traded securities - Average IBOVESPA (3);
- Real Estate: Estimated selling price, based on external appraisal reports - IPCA/IPEAD + 6% per year;
- Participant loans: Recorded using contractual terms of the respective participant agreements. These loans have floating rates, which approximate market rates - IPCA/IPEAD + 10.03% per year.

(1) *Indice Nacional de Preços ao Consumidor* INPC (Consumer Price National Index)

(2) *Indice de Preços ao Consumidor Amplo*- IPCA (Consumer Price Index calculated by the Brazilian Institute of Geography and Statistics IBGE)

(3) *Indice da Bolsa de Valores de São Paulo* IBOVESPA (Index which represents the variation of the main shares negotiated on São Paulo Stock exchange)

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As of December 31, 2009 and 2008, the pension plan assets include securities issued by CEMIG as follows:

| | Defined benefit pension plan | |
|------------|------------------------------|-------------------|
| | December 31, 2009 | December 31, 2008 |
| Debentures | 256 | 354 |
| Shares | 10 | 29 |
| | 266 | 383 |

Assumptions used by the Company in 2009 and 2008 for its defined benefit pension plans were as follows (percentage including projected inflation of 5% per annum):

| | 2009 | 2008 |
|---------------------------------------|-----------------------|-----------------------|
| Actuarial method | Projected Unit Credit | Projected Unit Credit |
| Annual discount rate | 10.76 | 10.24 |
| Annual expected return on plan assets | 11.34 | 12.32 |
| Annual salary increase | 6.08 | 6.08 |
| Annual increase in benefits | 4.00 | 4.00 |
| Mortality rate | AT - 2000 | AT - 83 |
| Disability rate | Light Medium | Light Medium |
| Disable mortality rate | IAPB-57 | IAPB-57 |
| Expected annual turnover rate | 2.00 | 2.00 |

The rationale used in determination of long-term return on assets rate described above is based in the asset managers mid to long-term expectations and the Brazilian government bonds rates, reduced by 2% or 3% as the Company deemed reasonable.

CEMIG's obligation related to its post-retirement health care plan is calculated using a defined annual contribution per employee during the rest of their lives. The contribution amount is not based on the increase or decrease in medical care cost. If the predetermined contributions do not cover future benefit expenses, CEMIG's employees will be required to make additional contributions or the related medical benefits will be reduced, in accordance with an agreement between CEMIG and the labor union relating to the health care plan.

Estimated Future Benefit Payments:

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| | Pension benefits | Post-retirement health care, insurance and dental benefits |
|------|------------------|--|
| 2010 | 442 | 42 |
| 2011 | 438 | 44 |
| 2012 | 434 | 46 |

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| | | |
|---------------------|-------|-----|
| 2013 | 429 | 48 |
| 2014 | 424 | 50 |
| 2015 and thereafter | 2,024 | 292 |
| | 4,191 | 522 |

Contribution:

The Company expects to contribute R\$161 to its pension plan and R\$42 to post-retirement health care, insurance and dental benefits plan in 2009.

Table of Contents**17. ACCRUED LIABILITY FOR CONTINGENCIES**

CEMIG and its subsidiaries are party to certain legal proceedings in Brazil arising in the normal course of business, regarding tax, labor, civil and other issues. The Company believes that any loss in excess of the amounts provided for in respect of such contingencies will not have a material adverse effect on the Company's results of operations or financial position. For those contingencies for which an adverse outcome has been deemed probable based on the assessment of management and the Company's legal counsel, the Company has recorded provisions for losses as follows:

| | 2009 | December 31, 2008 |
|--------------------------------------|------|----------------------|
| Labor Claims | | |
| Various | 81 | 82 |
| Civil Lawsuits | | |
| Personal Injury | 27 | 35 |
| Rate Increase | 234 | 78 |
| Other | 107 | 109 |
| | 368 | 222 |
| Tax | | |
| FINSOCIAL | 21 | 21 |
| Taxes payable Suspended Liability | 85 | 77 |
| Other | 18 | 14 |
| | 124 | 112 |
| Regulatory | | |
| ANEEL Administrative Proceedings | 74 | 56 |
| Total | 647 | 472 |
| Current liabilities | 128 | |
| Noncurrent liabilities | 519 | 472 |

Certain details relating to such provisions are as follows:

(a) Labor Claims:

The labor claims relate principally to overtime and hazardous occupation compensation besides indemnity for personal injury litigation and property damages.

(b) Rate Increase

A number of industrial consumers have brought legal action against the Company seeking refunds of amounts paid to CEMIG as a result of a rate increase that became effective during the Brazilian government's economic stabilization Cruzado Plan in 1986, alleging that such increases

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violated the price controls instituted as part of that plan. CEMIG determines the amounts to be reserved based on the amount billed subject to consumers' claims and recent court decisions. The rate increase claim's provision is R\$234 as of December 31, 2009 (R\$78 on December 31, 2008).

There was a legal action between CEMIG and one of the industrial consumers (in approximately amount of R\$239 in 2006) related to an increase rate occurred during the Cruzado Economic Plan, by Ministerial Order 045/86. In May 2010 CEMIG Distribuição closed an agreement pursuant to which CEMIG agreed to pay R\$177 to that consumer.

The amount will be settled as the following: i) offset of the opening invoices which corresponds to an approximately R\$92; and ii) deduction in future invoices for supply of electricity and use of the distribution system in the amount of R\$85.

(c) Taxes payable - Suspended Liability

The recorded provision of R\$84 as of December 31, 2009 (R\$74 as of December 31, 2008) is related to the deduction of the social contribution tax paid in the calculation of income tax. CEMIG had a preliminary court order granted by the Eighth Civil Court of the Federal Justice, on April 17, 1998, for the exemption of payment, however in 2010 CEMIG lost this exemption.

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(d) ANEEL Administrative Proceedings

On January 9, 2007, ANEEL notified Cemig Distribuição S.A. that it considered certain criteria adopted by the Company in calculation of the revenue from subvention for low-income consumers to be incorrect, questioning the criteria for identification of the consumers who should receive the benefit and also the calculation of the difference to be reimbursed by Eletrobrás, in the estimated amount of R\$143. The Company has made a provision corresponding to the loss that it considers probable in this dispute, in the amount of R\$47 as of December 31, 2009 (R\$44 as of December 31, 2008).

(e) Other Civil lawsuits

Several civil claims were brought by people who have suffered damages arising mainly from accidents that occurred during the ordinary course of CEMIG business and damages suffered as a result of the interruption of the supply of energy to them. The provision as of December 31, 2009 represents the potential loss relating to these matters.

Among the civil cases is an action for damages for a fire at a grazing farm, caused by the disruption of a power cord. The probable loss of R\$34 is entirely provisioned.

(f) Contingencies for which an adverse outcome has been deemed remote or reasonably possible

CEMIG has other relevant legal proceedings against it for which the Company considers an unfavorable outcome to be remote or reasonably possible. The Company does not expect to incur any material losses with respect to these contingencies and therefore the Company has not recorded any accruals for such claims. Certain details relating to such matters are as follows:

(I) Income and social contribution taxes on post retirement benefits

On October 11, 2001, the Brazilian Federal Tax Authorities (Secretaria da Receita Federal) issued an assessment notice, in the updated amount of R\$330, arising from the utilization of tax credits that resulted from the amendment of the Company's 1997, 1998 and 1999 tax returns. The tax returns were amended as a result of a change in the accounting method for recording post-retirement benefit liabilities. The additional liabilities that resulted from the accounting change were recognized in the revised tax returns, resulting in tax loss carryforwards.

CEMIG presented an administrative appeal in the Finance Ministry Taxpayers' Council (Conselho de Contribuintes do Ministério da Fazenda), obtaining a favorable decision for the years 1997 and 1998 and an adverse decision to 1999. This adverse decision would result in a reduction of the tax loss carryforwards, recognized as tax credits, in the historic amount of R\$27. No reserve has been recorded as a result of this assessment notice, since the Company believes that the procedures which generated the tax credits are legally sound. An adverse outcome in this matter has

been deemed remote.

The tax credits mentioned in the preceding paragraph were offset against federal taxes paid in 2002 and 2003. Due to this offset, CEMIG is exposed to additional penalties in the amount of R\$298 as of December 31, 2009 (R\$286 as of December 31, 2008). No reserve for contingencies has been made to cover any liabilities that may result from the tax assessment, since CEMIG believes that it has solid legal grounds that support the procedures adopted. An adverse outcome in this matter has been deemed remote.

(II) ITCD Imposto de Transmissão Causa Mortis e Doação (Inheritance and Donation Tax)

The State of Minas Gerais assessed the Company for the non-payment of the tax named ITCMD Imposto de Transmissão Causa Mortis e Doação (Inheritance and Donation Tax), in the amount of R\$198 as of December 31, 2009 (R\$141 as of December 2008). No reserve has been recorded for these claims, since the Company believes that the probability of an adverse outcome in this matter has been deemed remote.

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(III) Regulatory agency acts

ANEEL has filed regulatory proceeding against CEMIG claiming that CEMIG owes the Federal Government R\$1,157 as of December 31, 2009 (R\$1,033 as of December 2008) due to a miscalculation of credits in the amount of the cumulative rate deficit (CRC) applied to reduce amounts owed to the Federal Government. On October 31, 2002, ANEEL issued a final administrative decision against the Company. On January 9, 2004, the Brazilian Treasury Authority (Secretaria do Tesouro Nacional) issued an official collection notice for the amount referred to, to be paid before January 30, 2004. The Company did not make such payment since it believes that the likelihood of an adverse outcome is possible, but not probable.

On November 14, 2003, the Federal Public Auditing Court, which has the authority to audit any decision by ANEEL that may impact public finance, initiated an administrative proceeding against ANEEL to evaluate the criterion adopted by ANEEL in the Energy Consumption Reduction Emergency Program (Programa Emergencial de Redução de Consumo de Energia Elétrica), or PERCEE. The Federal Public Auditing Court has asked the Company to provide certain information with respect to its rates, which, according to the Federal Public Auditing Court, were mistakenly approved by ANEEL. In addition, the Federal Public Auditing Court contested the index and the X Factor applied by ANEEL in the Company's rate revision of 2003. The Company has filed an administrative proceeding before the Federal Public Auditing Court to challenge this decision.

The potential loss resulting from the inability to provide support for these rates amounts to R\$85. The Company has not recorded a provision relating to this matter as the likelihood of an adverse outcome is possible, but not probable.

(IV) Social Security and tax obligations indemnity for the Anuênio and profit shares

CEMIG and its subsidiaries Cemig Geração e Transmissão S.A. and Cemig Distribuição S.A. paid an indemnity to the employees in 2006, in the amount of R\$178, in exchange for the rights to future payments known as Anuênios which would be incorporated into salaries. The Company and its subsidiaries did not make the payments of income tax and social security contribution on this amount because it considered that these obligations are not applicable to amounts paid as indemnity. However, to avoid the risk of a future fine arising from a different interpretation by the Federal Tax Authority, the Company and its subsidiaries decided to file for orders of mandamus to allow payment to the Court of the amount of any obligations, in the amount of R\$167 as of December 31, 2009 (R\$155 December 31, 2008), posted in Deposits connected to legal actions in Long term assets. No provision was made for possible losses in this matter since the company and its subsidiaries classify the risk of loss in this action as possible, but not probable.

In September 2006 CEMIG was notified by the Social Security National Institute, INSS, as a result of the non-payment of the Social Security contribution on the amounts paid as profit sharing in the period 2000 to 2004, representing R\$122 as of December 31, 2009 (R\$112 as of December 2008). The Company appealed in the administrative sphere against the decision. No provision has been constituted since CEMIG believes it has arguments on the merit for defense, and the adverse outcome in this action is considered to be possible, but not probable.

(V) Value-added tax

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Since 2002 the Company has received a subvention from Eletrobrás in relation to the discounts given to low income consumers. The Minas Gerais state office of the Federal Tax Authority served an infringement notice on CEMIG, on the argument that the subvention should be subject to the value-added tax (ICMS), in the total amount of R\$143 as of December 31, 2009 (R\$130 as of December 2008). No provision was constituted for the result of this dispute, since the company believes that it is not a legal obligation and that it has arguments on the merit for defense against this demand. The Company believes that the likelihood of an adverse outcome in this matter is possible, but not probable.

Cemig was served an infringement notice, as a co-responsible party, in relation to sales of excess electricity by industrial consumers during the period of electricity rationing, in which the Minas Gerais State Tax Authority demanded payment of the ICMS tax on these transactions, in the amount of R\$49 as of December 31, 2009 (R\$18 as of December 2008). If the Company does have to pay the ICMS on these transactions, it can charge consumers the same amount to recover the amount of the tax plus any possible penalty charge. The expectation of loss in this matter is possible, but not probable.

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(VI) The ISS tax on services

The company is involved in litigation with the City Hall of Belo Horizonte on the criteria for applicability of the ISS tax on services carried out by the Company. The amount involved in the action is R\$42 as of December 31, 2009 (R\$33 as of December 2008). No provision has been constituted since CEMIG believes it has arguments on the merit for defense. The expectation of loss in this matter is possible, but not probable.

(VII) Regulatory contingency CCEE

In an action dating from August 2002, AES Sul Distribuidora has challenged in the courts the criteria for accounting of electricity sale transactions in the wholesale electricity market during the period of rationing. It obtained a judgment in its favor in February 2006, which orders the CCEE to recalculate the transactions during the rationing period leaving out of account its Dispatch No. 288/2002. This was to be put into effect in the CCEE in November 2008, resulting in an additional disbursement for CEMIG, referring to the expense on purchase of energy in the short-term market, in the CCEE, in the amount of approximately R\$95 as of December 31, 2009 (R\$76 as of December 2008). On November 9, 2008 the Company obtained an injunction in the Regional Federal Court suspending the obligatory nature of the requirements to pay into court the amount owed arising from the Special Financial Settlement carried out by the CCEE. No provision has been constituted since CEMIG believes it has arguments on the merit for defense. The expectation of loss in this matter is possible, but not probable.

(VIII) Civil lawsuits - Consumers

Various consumers and the Public Prosecutor of Minas Gerais have brought civil claims against CEMIG contesting rate adjustments applied in prior years, including rate subsidies granted to low-income consumers, the special rate adjustment, the inflationary index used to increase the electric rates in April 2003 and double reimbursement for any amounts that the Company found to have wrongfully collected and substitution of current adjustment index contained in the concession agreement as well as a revision of the methodology for calculation of the X Factor. The amounts involved in these claims is R\$1,910. The Company believes that the likelihood of an adverse outcome in this matter is remote.

The Company is the defendant in suits challenging the charging of tax on public lighting. These claims total an estimated amount of R\$909 as of December 31, 2009 (R\$526 as of December 2008). The Company believes that the likelihood of an adverse outcome in this matter is possible, but not probable.

Through popular action that questions the Terms of Adjustment of Conduct signed between CEMIG and prosecutors, is required to return the amounts paid to service providers of the Company that runs the program Light for All to the Federal Government. The amount involved in the action is R\$1,654 as of December 31, 2009 (R\$1,441 as of December 2008). No provision has been constituted since CEMIG believes it has arguments on the merit for defense. The expectation of loss in this matter is possible, but not probable.

(IX) Value-added tax (ICMS)

The Company received an infringement notice from the Minas Gerais state tax authority alleging undue use of the value-added tax (ICMS), relating to the acquisition of assets in Property, plant and equipment, in the months of January, March, April, May, and July to November 2004. The Company impugned this in administrative proceedings within the legal period. The expectation of loss in this matter is possible, but not probable. The amount of the case is R\$55 as of December 31, 2009.

(g) Environmental Matters

CEMIG has some legal proceedings related to Environmental Matters. Certain details relating to such matters are as follows:

A certain environmental association has brought a public civil action claiming indemnity for supposed collective environmental damage from the construction and operation of the Nova Ponte Hydroelectric Plant. The amount involved in the action is R\$1,081 as of December 31, 2009 (R\$941 as of December 2008). No provision has been recorded since CEMIG believes it has arguments on the merit for defense. The expectation of loss in this matter is possible, but not probable.

Table of Contents**18. SHAREHOLDERS EQUITY**

(a) Capital stock:

| | Year ended December 31, (thousands of shares) | | |
|---|--|-------------|-------------|
| | 2009 | 2008 | 2007 |
| PREFERRED SHARES: | | | |
| Balance | 349,222,649 | 349,170,804 | 342,246,847 |
| COMMON SHARES: | | | |
| Balance | 271,154,243 | 271,154,243 | 265,778,129 |
| TREASURY STOCK (Preferred shares): | | | |
| Balance | (207,384) | (207,384) | (207,384) |
| Total | 620,169,508 | 620,117,663 | 607,817,592 |

At December 31, 2009, the State Government owned 51% of the Company's common shares and 2% of its preferred shares, equal to 23% of total capital. The holders of the preferred shares are not entitled to vote at shareholders' meetings, but the shares have priority in the repayment of capital upon liquidation and are entitled to a minimum annual dividend as described in Note 18 (d.1).

On April 29, 2008, the Annual General Meeting approved the capital increase through the use of Earnings Reserve so as to comply with Article 199 of the Corporate Law, which limits the amount of the reserves to the amount of the Company's registered capital. Therefore, the recorded capital of CEMIG, according to the Brazilian Corporate Law, increased from R\$2,432 to R\$2,481 with issuance of 9,840,057 new shares to existing shareholders in proportion to their relative ownership, through capitalization of R\$49 of the balance on the Capital Reserve for Donations and Subsidies for Investments, distributing as a consequence to shareholders a bonus of 2.02%, in new shares, of the same type as those held, and with nominal value R\$5.00.

On April 29, 2009, the Annual General Meeting approved the capital increase through the use of the Earnings Reserve so as to comply with Article 199 of the Corporate Law, which limits the amount of the reserves to the amount of the company's registered capital. Therefore, the recorded capital of CEMIG, according to the Brazilian Corporate Law, increased from R\$2,481 to R\$3,102 with issuance of 124,075,378 new shares to existing shareholders in proportion to their relative ownership, through capitalization of R\$606 of the balance on the Retained Earning Reserve and R\$15 of the balance on the Capital Reserve, distributing as a consequence to shareholders a bonus of 25%, in new shares, of the same type as those held, and with nominal value R\$5.00.

(b) Additional paid-in capital:

The balance refers to premium received by the Company when shares were issued.

(c) Appropriated retained earnings:

The following describes certain reserves that are included in shareholders' equity:

Fiscal incentive investment reserve - this reserve results from an option to designate a portion of income tax otherwise payable for investment in government-approved projects and it is recorded in the following year the taxable income is earned. Under Brazilian GAAP, the amount designated for investments is recorded as an asset and credited directly to this reserve. This balance is restricted for capital increase. Under U.S. GAAP, this investment tax credit was originally credited to income and then transferred from unappropriated retained earnings to this reserve.

Rate shortfall reserve - this represents the accumulated rate shortfall reimbursement recorded under the rate-setting system in force up to March 1993.

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Legal reserve - this reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of annual net income up to a limit of 20% of share capital. This appropriation is not required in the fiscal year in which this legal reserve balance, added to the other established capital reserves, exceeds 30% of the paid-in capital, which has been the case with respect to 2009. However, the Company opted to appropriate 5.00% of December 31, 2009 net income, according to Brazilian corporate law, in the amount of R\$93.

(d) Unappropriated retained earnings:

This balance represents retained earnings determined in accordance with U.S. GAAP after (i) the allocation of the amount for legal reserve (when required) as described in Note 18 (c); (ii) allocation or transfer to or from other reserves; and (iii) dividends and interest on capital in lieu of dividends as described in Note 18 (d.1).

(d.1) Dividends and interest on capital in lieu of dividends:

The Company pays 50% of adjusted net income as mandatory dividends. Additionally, the Company distributed extraordinary dividends, to the extent that cash is available, as determined by the Board of Directors, subject to the guidelines of the Company Directive Plan. Declared dividends are paid in two equal installments, the first on June 30 and the second on December 30 of the year subsequent to the profit generation.

Each preferred share is entitled to an annual dividend equal to the greater of 10% of par value per preferred share or 3% of the book value of such preferred share, also based on the financial statements prepared in accordance with Brazilian GAAP. This preferred dividend has priority over the allocation of the mandatory dividend amount for the relevant period.

After payment of the preferred dividend, the remainder of the mandatory dividend amount, if any, is allocated first to the payment of an annual dividend to the holders of common shares in an amount up to the annual cash dividend guaranteed to the preferred shares. If a portion of the mandatory dividend amount remains after the payment of the common dividend, the remaining funds are to be distributed on an equal, pro rata basis with respect to all preferred shares and common shares.

The Company may also pay interim dividends to holders of preferred shares and common shares. Any interim dividends paid will count toward the calculation of the dividend payable for the fiscal year in which the interim dividend was declared. Under the Brazilian Corporate Law, the Company's Board of Directors is permitted to recommend, under certain conditions, the non-payment of the mandatory dividend for any year.

The State Government guarantees that the amount of dividends received by certain holders of preferred shares and common shares with respect to any fiscal year will equal at least 6% of the par value of the preferred shares and the common shares. Accordingly, even if net income, based on the Company's financial statements prepared in accordance with Brazilian GAAP, is zero with respect to any fiscal year, some of CEMIG's shareholders will receive a dividend of 6%. This guarantee applies only to private holders of shares and not to public or governmental holders.

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Under the Brazilian Corporate Law, if the Company does not distribute the minimum preferred dividends for three consecutive years, the preferred shares become entitled to vote.

Effective December 26, 1995, Brazilian law allows the deductibility of interest on capital paid to shareholders for income tax purposes, provided such interest is computed based on the Brazilian Long-term Interest Rate (TJLP), effective in the year the interest on capital is computed.

In 2009, 2008 and 2007, the minimum dividend requirements have been met and dividend distributions have been made on an equal, pro rata basis with respect to all preferred shares and common shares.

Under USGAAP, the Company declared dividends and interest on capital in lieu of dividends as follows:

| | 2009 | Year ended December 31, 2008 | 2007 |
|-------------------------|------|---------------------------------|-------|
| Regular Dividends | 931 | 943 | 867 |
| Extraordinary dividends | | | 497 |
| Total | 931 | 943 | 1,364 |

The Company reverted the dividends not claimed by the shareholders within three years of the date they were distributed in accordance with the Brazilian Corporate Law and its by-laws. The amounts of the dividends not claimed are de minimis .

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(e) Earnings per share - Since each class of shares participates equally in earnings in the years presented, earnings per share was computed by dividing net income by the weighted average number of common and preferred shares outstanding during the year. Consistent with many other Brazilian corporations, CEMIG discloses earnings per one thousand shares, as this is the minimum number that can be traded on the Bolsa de Valores de São Paulo (the São Paulo Stock Exchange, or BOVESPA).

As mentioned in Note 3, the Company has a contingent obligation to issue capital stock in connection with payments received on the account receivable from the State Government. The issuance of such capital stock dividend will occur through the transfer of the balance in the Rate Shortfall Reserve account in appropriated retained earnings to capital stock, having no net effect on shareholders' equity.

This accounts receivable is currently being paid with dividends due to the State Government. Shares to be issued in connection with this obligation are considered dilutive for purposes of calculating earnings per share only when all necessary conditions for their issuance have been satisfied. The Company believes that as of the balance sheet date, all of the conditions for issuance of a capital stock dividend in connection with payments received on the accounts receivable from the State Government have not been satisfied since (i) the issuance of shares is still subject to approval by either CEMIG's annual or extraordinary shareholders' meeting, as required by Brazilian Corporate Law and CEMIG's bylaws and (ii) CEMIG may use the Rate Shortfall Reserve account for other purposes, which would relieve the Company of the obligation to issue such capital stock dividend. Therefore, the Company has not included these shares in the computation of basic earnings per share in accordance with FASB ASC paragraph 260-10-45-13.

At December 31, 2009 and 2008, the Company has the obligation to issue shares in connection with dividends destined to offset the related receivable that are included in the weighted average shares outstanding. The following share information has been retroactively restated to reflect the stock dividend:

| | 2009 | 2008 |
|---|-------------|-------------|
| Basic weighted average common shares outstanding | 271,154,243 | 271,154,243 |
| Basic weighted average preferred shares outstanding | 349,015,265 | 348,963,420 |
| | 620,169,508 | 620,117,663 |
| Dilutive effect common shares to be issued in connection with the account receivable from the State Government. | 2,695,950 | 3,480,558 |
| Diluted weighted average shares outstanding | 622,865,458 | 623,598,221 |

19. NET OPERATING REVENUES

(a) The composition of electric energy supplied by consumer class is as follows:

| | Year ended December 31, | | | | R\$ 2008 | 2007 |
|-------------|-------------------------|-------------------------|--------|-------|-------------|-------|
| | 2009 | GWh (unaudited) 2008 | 2007 | 2009 | | |
| Residential | 7,774 | 7,164 | 6,813 | 4,014 | 3,389 | 3,529 |
| Industrial | 22,113 | 26,198 | 24,183 | 3,558 | 3,801 | 3,216 |
| Commercial | 4,674 | 4,423 | 4,111 | 1,998 | 1,898 | 1,865 |

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| | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| Rural | 2,208 | 2,296 | 2,200 | 559 | 554 | 591 |
| Governmental entities | 1,776 | 1,737 | 1,678 | 563 | 553 | 562 |
| Public services | 1,071 | 1,073 | 1,060 | 306 | 294 | 297 |
| Own consumption | 35 | 35 | 34 | | | |
| Unbilled, net | | | | (4) | 8 | 131 |
| | 39,651 | 42,926 | 40,079 | 10,994 | 10,497 | 10,191 |
| Electricity sales to the interconnected power system | | | | | | |
| Supply | 14,039 | 11,162 | 12,755 | 1,545 | 922 | 1,108 |
| Energy transactions on CCEE/MAE | | | | 137 | 147 | 26 |
| Total | 53,690 | 54,088 | 52,834 | 12,676 | 11,566 | 11,325 |

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| | Number of consumers (unaudited) | | |
|-----------------------|---------------------------------|-----------|-----------|
| | 2009 | 2008 | 2007 |
| Residential | 5,601,926 | 5,400,214 | 5,188,604 |
| Industrial | 75,180 | 74,482 | 73,606 |
| Commercial | 596,289 | 578,021 | 560,910 |
| Rural | 490,140 | 482,952 | 554,286 |
| Governmental entities | 59,694 | 57,165 | 54,199 |
| Public services | 8,474 | 8,543 | 7,799 |
| Own consumption | 824 | 829 | 829 |
| | 6,832,527 | 6,602,206 | 6,440,233 |
| Supply | 53 | 46 | 47 |
| Total | 6,832,580 | 6,602,252 | 6,400,280 |

Rate Readjustment

The impact of rate readjustment in the bills of the consumers of Cemig Distribuição S.A. was an increase by an average of 6.21% from April 8, 2009. In 2008, CEMIG recognized as revenue an amount of R\$93 due to this rate adjustment. The adjustment was applied in different percentages by category of consumption for the purpose of gradually eliminating, as stated in a letter by ANEEL, the cross-subsidies existing between consumer groups. As an example, residential consumers had an increase of 4.87% in their electricity bills, while high-voltage consumers had an increase of 9.42%. The increase of the rates does not represent an increase of the CEMIG's operating revenues in the same percentage because part of it is used to the regulatory assets settlement.

Low-income consumers

The Federal Government, through Centrais Elétricas Brasileiras ELETROBRAS is reimbursing distributors for billing losses incurred from 2002 resulting from the new classification criteria established for low-income consumers due to the lower rate applied to them.

ANEEL reviewed the procedures for calculation by the Company of revenue for the subsidy for low-income consumers. As a result of this review, the amounts posted in 2007 were calculated on the basis of estimate, and their receipt for the period from February through November 2007 in the amount of R\$119 were received in February, 2009.

ANEEL included in the tariff review of April 2008 the amounts to be reimbursed to the Company for the subsidy for low-income consumers as from that date.

(b) The composition of other operating revenues is as follows:

Year ended December 31,

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| | 2009 | 2008 | 2007 |
|-------------------------------|------|------|------|
| Telecom and cable TV services | 115 | 95 | 76 |
| Services rendered | 84 | 82 | 61 |
| Rental and leasing | 60 | 49 | 39 |
| Services rated | 16 | 14 | 13 |
| Others | 2 | 1 | 47 |
| | 277 | 241 | 236 |

(c) The composition of taxes on revenues is as follows:

| | 2009 | Year ended December 31, 2008 | 2007 |
|------------|-------|---------------------------------|-------|
| VAT (ICMS) | 2,440 | 2,521 | 2,493 |
| COFINS | 1,149 | 1,080 | 1,088 |
| PIS-PASEP | 260 | 241 | 254 |
| Others | 3 | 2 | 1 |
| | 3,852 | 3,844 | 3,836 |

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(d) The composition of use of basic transmission network is as follows:

| | 2009 | Year ended December 31, 2008 | 2007 |
|---|-------|---------------------------------|-------|
| TUSD Tariff for Use of the Distribution System | 1,121 | 1,266 | 1,173 |
| Use of basic transmission network | 627 | 472 | 437 |
| Use of connection of basic transmission | 132 | 127 | 95 |
| Use of basic transmission network Tariff Review | 119 | | |
| | 1,999 | 1,865 | 1,705 |

20. OPERATING COSTS AND EXPENSES

Some of the operating costs and expenses consist of the following:

(a) Electricity purchased for resale:

| | 2009 | Year ended December 31, 2008 | 2007 |
|--|-------|---------------------------------|-------|
| Itaipu Binacional | 865 | 776 | 1,000 |
| Initial contracts | | | 12 |
| Bilateral contracts | 381 | 233 | 149 |
| Incentive Program for Alternative Electric Power Sources | | | |
| -PROINFA | 156 | 123 | 65 |
| From suppliers through CCEE/MAE | 252 | 234 | 100 |
| System services charge | 55 | 51 | 20 |
| Energy Public Bids | 1,105 | 706 | 780 |
| Parcel A and other sources (see Note 4) | 247 | 144 | 21 |
| | 3,061 | 2,267 | 2,147 |

(b) Personnel:

| | 2009 | Year ended December 31, 2008 | 2007 |
|---|-------|---------------------------------|-------|
| Salary and payroll charges | 1,007 | 990 | 946 |
| Benefits | 128 | 125 | 117 |
| | 1,135 | 1,115 | 1,063 |
| Personnel costs transferred to construction in progress | (151) | (161) | (179) |
| | 984 | 954 | 884 |
| Voluntary Termination Program - PPD | | 50 | |

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| | | | |
|---|-------|-------|-----|
| Temporary Voluntary dismissal program - PDV | 206 | | |
| | 1,190 | 1,004 | 884 |

Voluntary Termination Program (PPD)

On March 11, 2008, the Executive Board approved the permanent Voluntary Termination Program (PPD), which applies to any free and spontaneous terminations of employment contracts as from that date. The program's main financial incentives include payment of 3 times the gross amount of monthly remuneration, 6 months' contributions to the Health Plan after leaving the company, deposit of the 40% penalty payment due on the balance of the Government Severance Indemnity Fund for Employees (FGTS) on termination of an employment contract, and payment of up to 24 months' contributions to the Pension Fund and the National Social Security System after termination of the contract, in accordance with certain criteria established in the regulations of the program.

Since this program has begun, in March 2008, 679 employees have joined it (143 employees of Cemig Geração e Transmissão, 523 of Cemig Distribuição and 13 of the Cemig holding company), and a provision for the financial incentives in the amount of R\$50 was fully recorded in 2008.

Table of Contents*Temporary Voluntary Dismissal Program (PDV)*

In April 2009, CEMIG put in place its temporary voluntary dismissal program (PDV), available to employees between April 22 and June 5, 2009.

Employees who subscribe to the PDV receive a financial incentive varying between 4 and 16 times their monthly remuneration, according to criteria established in the program's regulations, of which the principal one is the time of contribution remaining for full retirement entitlement under the national social security system (INSS). The incentive includes payment of the contributions to the pension fund and the INSS up to the date when the employee would have complied with the requirements for applying for retirement benefit under the INSS (limited to five years), and deposit of the obligatory penalty payment (applicable to dismissals) of 40% on the balance of the employee's accumulated funds under the FGTS system.

Additionally, CEMIG guarantees full payment of the costs of the group life insurance plan, for 6 months, and of the health plan, for 12 months, from the date of leaving the company.

A total of 1,043 employees of the Company subscribed to the program. A provision for the expenses for the financial incentives in the amount of R\$206 was fully recognized in 2009.

The accounting for the voluntary programs is in accordance with SFAS N° 146 Accounting for Costs Associated with Exit or Disposal Activities (included in ASC Subtopic 420-10).

| | 2009 | Year ended December 31, 2008 | 2007 |
|--|------|---------------------------------|------|
| Voluntary Termination at the beginning of the year | | | |
| Costs incurred and charged to expense | 206 | 50 | |
| Costs paid | (69) | (50) | |
| Liability at the end of the year | 137 | | |

(c) Regulatory charges:

| | 2009 | Year ended December 31, 2008 | 2007 |
|------------------------------------|------|---------------------------------|------|
| Fuel usage quota | 410 | 364 | 330 |
| Global reserve for reversion quota | 165 | 160 | 126 |
| Energy development account | 372 | 328 | 337 |
| ANEEL inspection fee | 41 | 41 | 37 |

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| | | | |
|------------------------------------|-------|-------|-----|
| Charges for use of water resources | 154 | 131 | 137 |
| | 1,142 | 1,024 | 967 |

(d) Third-party Services

| | 2009 | Year ended December 31, 2008 | 2007 |
|--|------|---------------------------------|------|
| Tax collecting agents/reading of measurers | 119 | 107 | 101 |
| Marketing | 69 | 61 | 64 |
| Maintenance and electric conservation of installations and equipment | 134 | 113 | 101 |
| Building maintenance | 43 | 37 | 35 |
| Outsourcing services | 48 | 35 | 19 |
| Transportation and fares | 12 | 11 | 8 |
| Lodging and feeding | 19 | 19 | 17 |
| Security | 16 | 15 | 14 |
| Management Consulting | 30 | 19 | 13 |
| Maintenance of furniture | 37 | 28 | 26 |
| Maintenance of vehicle | 23 | 22 | 19 |
| Electric service | 27 | 22 | 26 |
| Other | 152 | 116 | 107 |
| | 729 | 605 | 550 |

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(e) Other:

| | 2009 | Year ended December 31, 2008 | 2007 |
|---|------|---------------------------------|------|
| Allowance for doubtful accounts | 59 | 57 | 93 |
| Disposal of fixed assets, net | 45 | 30 | 40 |
| Provisions (reversion provision) for contingencies- | | | |
| Labor claims | | 4 | 43 |
| Civil lawsuits Consumers | (33) | 19 | 28 |
| ANEEL administrative proceedings | 17 | 7 | 43 |
| Civil lawsuits Other | 182 | 59 | (6) |
| Other | (20) | 10 | 10 |
| Rentals | 42 | 39 | 34 |
| Grants and donations | 39 | 43 | 41 |
| Consumption electric energy | 15 | 15 | 17 |
| Advertising | 26 | 31 | 26 |
| CCEE/MAE contribution | 2 | 4 | 3 |
| Other taxes (real estate, vehicle, etc) | 46 | 42 | 39 |
| General expenses | 66 | 50 | 61 |
| | 486 | 410 | 472 |

21. EMPLOYEE PROFIT SHARING

The Company records employee profit sharing based on 3% of operational profit, adjusted for certain items specified by ANEEL in the Annual Reporting Procedure (PAC) as the general criterion for payment of profit shares to employees for the years 2009 and 2008, paid by May 2010. Additionally, in the collective wage negotiations and agreements of November 2009 and 2008, it was agreed with the unions that each employee would be paid an additional payment.

Together with the 2009/2008 agreement, the 2010/2009 agreement was signed, specifying the following:

- Linked to compliance with targets, the Company will distribute a percentage share of 6% of the operational profit, to be paid by May 2011.
- Each employee was paid, by March 2010, the greater of: 0.7 times his/her monthly remuneration, or R\$5,000.00.

Under these agreements, the share in the profits of 2009, 2008 and 2007, including the contribution to the pension plan payable on these amounts, were R\$233, R\$362 and R\$455, respectively.

Table of Contents**22. FINANCIAL (EXPENSE) INCOME, NET**

Financial (expense) income consists of the following:

| | 2009 | Year ended December 31, 2008 | 2007 |
|--|-------|---------------------------------|---------|
| Financial income- | | | |
| Interest of account receivable from State Government , net of provision for losses | 149 | 154 | 159 |
| Interest income | 235 | 256 | 177 |
| Late charges on overdue electricity bills, recorded on the cash basis | 151 | 145 | 112 |
| Foreign exchange gains | 123 | 13 | 118 |
| Monetary restatement on deferred regulatory assets | 76 | 215 | 520 |
| Gains on derivatives contracts | 4 | 45 | 4 |
| Taxes on financial revenues | (40) | (45) | (65) |
| Financial compensation RME | | 83 | |
| Other | 106 | 156 | 150 |
| | 804 | 1,022 | 1,175 |
| Financial expense- | | | |
| Interest on loans and financing | (618) | (624) | (644) |
| Monetary restatement on deferred regulatory liabilities | | (31) | (176) |
| Financial transaction tax (CPMF) | | (4) | (66) |
| Foreign exchange losses | (28) | (126) | (12) |
| Monetary restatement losses | (15) | (85) | (47) |
| Losses on derivative contracts | (89) | | (171) |
| Other expenses | (163) | (135) | (107) |
| | (913) | (1,005) | (1,223) |
| Financial income, net | (109) | 17 | (48) |

The foreign exchange gains and losses are substantially related to the variation of the *real* in relation to the U.S. dollar.

Table of Contents**23. RELATED PARTY TRANSACTIONS**

The Company enters into a variety of related party transactions, the main transactions are as follows:

Holding and Consolidated

| ENTITIES | ASSETS | | LIABILITIES | | REVENUES | | EXPENSES | |
|---|--------|-------|-------------|-------|----------|---------|----------|-------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| <i>Cemig Distribuição S.A.</i> | | | | | | | | |
| Dividends and interest on Capital | 202 | 682 | | | | | | |
| Others | 22 | 12 | 10 | 10 | | | | |
| <i>Cemig Geração e Transmissão S.A.</i> | | | | | | | | |
| Dividends and interest on Capital | 917 | 518 | | | | | | |
| Others | 6 | | | | | | | |
| <i>State Government of Minas Gerais</i> | | | | | | | | |
| Accounts receivable (1) | 2 | 2 | | | 81 | 70 | | |
| Recoverable or payable taxes - VAT current (2) | 197 | 159 | 288 | 277 | (2,440) | (2,521) | | |
| Account receivable from Minas Gerais State Government (3) | 1,824 | 1,801 | | | | | | |
| Recoverable taxes VAT non current (2) | 57 | 79 | | | | | | |
| Accounts receivable (4) | 61 | 17 | | | | | | |
| Debentures (5) | | | 37 | 33 | | | | |
| Account Securitization Fund (FIDC) (6) | | | 951 | 990 | | | | |
| Financing BDMG (7) | | | 10 | 19 | | | | |
| <i>Forluz</i> | | | | | | | | |
| Employee post-retirement benefits current (8) | | | 82 | 75 | | | (176) | (277) |
| Employee post-retirement benefits non current (8) | | | 1,308 | 1,765 | | | | |
| Others | | | 34 | 73 | | | | |
| Personnel (9) | | | | | | | (44) | (49) |
| Administrative Costs (10) | | | | | | | (15) | (16) |

Main material comments on the above transactions:

- (1) Sale of electricity to the government of the state of Minas Gerais transactions on terms equivalent to those prevailing in the transactions with independent parties, considering that the price of the energy is that defined by ANEEL through a resolution referring to the company's annual tariff adjustment.
- (2) The transactions in ICMS tax posted in the financial statements refer to transactions for sale of electricity and are carried out in conformity with the specific legislation of the State of Minas Gerais.
- (3) Injection of the credits of the CRC into a Receivables Fund in senior and subordinated units. For more information please see Explanatory Note 3.
- (4) A substantial portion of the amount refers to the renegotiation of a debit originating from the sale of electricity to *Copasa*, with provision for payment up to September 2012, and financial updating (by the IGP-M inflation index + 0.5% per month).
- (5) Private issue of non-convertible debentures for R\$ 120,000 thousand, updated by the IGP M inflation index, for completion of the Irapé hydroelectric plant, with redemption after 25 years from the issue date. The amount at December 31, 2009 was adjusted to present value,

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as per Explanatory Note 14.

- (6) Senior units owned by third parties, in the amount of R\$ 900,000, amortized in 20 half-yearly installments, from June 2006, with monetary updating by the CDI rate plus interest of 1.7% p.a. For more information please see Explanatory Note 3.
- (7) Financings of the subsidiaries **Transudeste** and **Transirapé** with maturity in 2019 (TJLP long-term interest rate + 4.5 p.a. and UMBNDES 4.54% p.a.), and of **Transleste**, in 2017 and 2025 (rates 5% p.a. and 10% p. a.).
- (8) Part of the contracts of Forluz are adjusted by the IPCA (Amplified Consumer Price) Inflation Index of the IBGE (Brazilian Geography and Statistics Institute), and part are adjusted based on the Salary Adjustment Index of the employees of Cemig, Cemig GT and Cemig D, excluding productivity factors, plus 6% p.a., with amortization up to 2024. For more information please see Explanatory Note 16.
- (9) Cemig's contributions to the Pension Fund related to the employees participating in the Mixed Plan (see Explanatory Note 16), calculated on the monthly remunerations in accordance with the regulations of the Fund.
- (10) Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's total payroll.

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24. FINANCIAL INSTRUMENTS

The Company manages its financial instruments through periodic monitoring of positions, diversification of counterparties and establishment of credit limits by counterparty. Financial instruments, which potentially subject CEMIG to concentrations of credit risk are cash and cash equivalents for 2009 and 2008. CEMIG limits its credit risk associated with cash and cash equivalents by placing its investments with highly rated financial institutions generally with short-term maturities.

(a) Cash and cash equivalents :

As of December 31, 2009 and 2008, cash and cash equivalents are stated at cost plus accrued interest and approximate fair value, given the short term maturities of these items.

(b) Financing and other financial instruments:

Based on interest rates currently available to CEMIG for bank financings with similar terms and average maturities, the fair value of long-term financing at December 31, 2009 and 2008 is R\$9,277 and R\$6,440, respectively, compared to book values of R\$9,277 and R\$6,511, respectively.

(c) Derivative financial instruments:

The Company utilizes derivative financial instruments to protect its operations from exchange rate risk. The derivative financial instruments are not used for speculative purposes. As of December 31, 2009, the Company has derivative financial instruments (swaps) with financial institutions, in connection with potential exchange losses resulting from the devaluation of the Brazilian real compared to the U.S. dollar in the net notional amount of US\$81 million (US\$91 million in 2008). The net realized and unrealized losses from these operations for 2009 in the net amounts of R\$85 (R\$28 in 2008 and R\$167 in 2007), were recorded as financial expenses.

The table below summarizes the Company's derivative financial instruments and the unrealized losses recorded on these instruments as of December 31, 2009 and December 31, 2008:

| CEMIG's Right | CEMIG's obligation | Maturity Date | December 31, 2009 Unrealized Losses | |
|------------------|-----------------------|---------------|---|------------|
| | | | Principal amount contracted- million | Fair Value |

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| | | | | | |
|---------------------------------|--|------------|------|----|------|
| US\$ | R\$ | From | | | |
| exchange gains or losses + rate | 100% of the CDI + rate | 04/2009 | | | |
| (5.58% p.a. 7.48% p.a.) | from 1.50% p.a. to 3.01% p.a. | to 06/2013 | US\$ | 38 | (78) |
| R\$ | R\$ or US\$ | On | | | |
| 106% of the CDI | 48% of the CDI or exchange gains or losses (whichever is higher) | 04/2010 | R\$ | 75 | |
| | | | | | (78) |

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| CEMIG's Right | CEMIG's obligation | Maturity Date | December 31, 2008 Unrealized Losses | |
|---|--|-------------------------------|---|------------|
| | | | Principal amount contracted- million | Fair Value |
| ¥ (Japanese Yen) exchange gains or losses + rate (3,90% p.a.) | R\$ pegged to the CDI variation(111.00% CDI) | On 12/2009 | ¥ 3,879 | 3 |
| US\$ exchange gains or losses + rate (5.58% p.a. 7.48% p.a.) | R\$ 100% of the CDI + rate from 1.50% p.a. to 3.01% p.a. | From 04/2009 to 06/2013 | US\$ 59 | (97) |
| R\$ 106% of the CDI | R\$ or US\$ 48% of the CDI or exchange gains or losses (whichever is higher) | On 04/2010 | R\$ 75 | (94) |

At December 31, 2009, the Company had recorded the amount of R\$78 as other current liabilities, representing the fair value of these financial instruments at the respective balance sheet date.

(d) Other financial instruments:

The carrying value of CEMIG's other financial instruments, in *reais*, approximates fair values at such dates reflecting the short-term maturity or frequent repricing at December 31, 2009 and 2008 of these instruments.

25. FAIR VALUE MEASUREMENTS

On January 1, 2008, the Company adopted ASC Topic 820 (Statement 157), which increased the disclosures related to assets and liabilities measured at fair value on a recurring basis.

ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. The ASC clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. To increase consistency and comparability, the fair value hierarchy prioritizes the inputs used in measuring into three broad

levels as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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Following is a summary of instruments that are valued at fair value:

| Description | Fair Value Measurements at December 31, 2009 Using | | | |
|------------------------------------|--|---|--|---|
| | Balance at December 31, 2009 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Cash equivalents | | | | |
| Bank deposit certificates | 3,631 | | 3,631 | |
| Treasury Financial Notes (LFTs) | 75 | 75 | | |
| Overnight deposits | 105 | | 105 | |
| | 3,811 | 75 | 3,736 | |
| Liabilities | | | | |
| Foreign exchange swap contracts | 78 | | 78 | |

(a) Bank deposit certificates and Overnight deposits:

The Company determines the fair values of its bank deposit certificates and Overnight deposits using a discounted cash flow model. This model is primarily industry-standard model that consider various assumptions, including time value and yield curve as well as other relevant economic measures. ASC Topic 820 requires that the valuation of derivative liabilities must take into account the company's own nonperformance risk. The counterparty nonperformance risk was not considered in the fair value measurement by the Company due to management considered it was not significant considering the entities' credit risk based on rating agencies.

(b) Foreign exchange swaps contracts:

The Company's derivatives are valued using a discounted cash flow model that use as its basis readily observable market inputs, such as time value, forward interest rates, and current and forward market prices foreign currency exchange rates.

Nonfinancial assets and liabilities: The fair value of long lived assets is determined by estimating the present value of the expected cash outflows by reference to observable market transactions. Fair value option has not been elected for any of the Company's financial assets and liabilities.

26. FINAL RESULT OF THE SECOND TARIFF REVIEW OF CEMIG DISTRIBUIÇÃO

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In March 2009 ANEEL homologated the final result of the tariff review of Cemig Distribuição S.A., the effects of which take place from April 2008.

The final result of the Company's second tariff review was an average reduction of 19.62%, which compares with the average reduction of 18.09% applied on a provisional basis in April 2008.

As a result of the homologation of the final tariff review, ANEEL recalculated the amounts which, in its judgment, should have been those effectively recognized in the Company's tariff adjustment as from April 2008. The net effect of this homologation in the net income was in the amount of R\$93 in 2008.

The adjustments in the net profit, which relate principally to (i) the reduction in the value of the Reference Company used as a basis for reimbursement of the Company's manageable costs and also from ANEEL (ii) the new calculation criterion for reimbursement of financial regulatory assets via tariffs, with a consequence of discounts in the amounts that in the opinion of the regulatory agency, were included higher in the Company's tariff rate.

Table of Contents**27. TRANSMISSION TARIFF REVIEW OF CEMIG GERAÇÃO E TRANSMISSÃO**

Cemig Geração e Transmissão first Tariff Review was approved by the Council of ANEEL on June 17, 2009. In it, ANEEL set the percentage for repositioning of the Company's Permitted Annual Revenue (RAP) at an increase of 5.35%, backdated to 2005.

ANEEL additionally established a financial component of R\$158 to be paid to the Company as the Adjustment Portion (PA) in 24 months. This is the backdated effect of the tariff repositioning over the period from July 1, 2005 to June 30, 2009. The first installment, of R\$86, was incorporated into the adjustment for the 2009-10 cycle, and the second part, of R\$72, will be compensated in the 2010-11 adjustment.

As and when amounts of the Adjustment Portion are received through the tariff, the Company transfers the corresponding amount recorded in Assets to the Income statement. The record of accounting of the Adjustment Portion is as follows:

| Description | Components of the Adjustment Portion | | | Balance at December 31, 2009 |
|---------------------------------------|--------------------------------------|-----------|--------------|------------------------------|
| | Balance at December 31, 2008 | Additions | Amortization | |
| National Grid | | 129 | (35) | 94 |
| Frontier areas | | 14 | (4) | 10 |
| Other Transmission Facilities (DIT) | | 15 | | 15 |
| | | 158 | (39) | 119 |
| Current | | | | 83 |
| Noncurrent | | | | 36 |

As specified in the CEMIG Geração e Transmissão's concession contract, the calculations of the review were made on the basis of the whole of the CEMIG Geração e Transmissão's assets, and not only on the assets relating to the new facilities.

28. EXPOSURE AND RISK MANAGEMENT

As a Brazilian energy concessionaire, the Company operates in an environment in which factors such as corporate reorganization, new regulations issued by governmental bodies and consumer market changes are considered risk factors.

The Company established a Corporate Risk Management Program in January 2003, and implemented this program in 2004 in connection with its restructuring. This Corporate Risk Management Program aims to achieve the following: operate as an auxiliary in achievement of the objectives set by the strategic plan; create awareness among shareholders of the possible events that could constitute a risk of loss of value;

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structure the company to be able to take proactive stances in relation to its risk environment; provide the company's executives with a methodology and tools for effective management of risk; and provide other areas of strategic management with input concepts and procedures, and factors that strengthen the company's organizational control infrastructure.

The main market risks which affect CEMIG's operations are described as follows:

(a) Exchange rate risk

CEMIG and its subsidiaries are exposed to the risk of increases in exchange rates, mainly U.S. dollar against the real, significantly impacting its financial position, results of operations, and cash flows. The Company has derivative financial instruments (swaps) with financial institutions in the amount of R\$8, equivalent to the notional amount of US\$81. These financial instruments partially offset the exchange variation of the Brazilian real compared to the U.S. dollar for interest based on the CDI (See Note 24(c)). The exchange rate net exposure is as follows:

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| | 2009 | December 31, 2008 |
|--|------|----------------------|
| U.S. Dollar | | |
| Financing | 171 | 315 |
| (-) Contracted derivative instruments notional amounts | 8 | (63) |
| | 179 | 252 |
| Japanese Yen | | |
| Financing | | 100 |
| (-) Contracted derivative instruments notional amounts | | (100) |
| Other Currencies | | |
| Financing | | |
| Euro | 19 | 30 |
| | 19 | 30 |
| Net liabilities exposed to exchange rate risk | 198 | 282 |

The exposure to exchange rates shown above is reduced by the Company through contracts to sell electricity to free consumers, which are priced in U.S. dollars. These contracts represent annual revenue of approximately US\$120 million.

(b) Interest rate risk

CEMIG and certain subsidiaries are exposed to the risk of increases in international interest rates, impacting their loans and financing denominated in foreign currencies with floating rates, mainly LIBOR, in the amount of R\$36 (R\$91 as of December 31, 2008).

The Company is also exposed in 2009 to the risk of increases in interest rates on real denominated financial liabilities, partially offset by real denominated financial assets as follows:

| CEMIG's exposure to domestic interest rates | 2009 | December 31, 2008 |
|---|-------|----------------------|
| Asset | | |
| CRC Agreement | 1,824 | 1,801 |
| Short-term investments | 3,811 | 1,798 |
| Deferred regulatory assets | 442 | 1,086 |
| Derivative instruments | 8 | |
| | 6,085 | 4,685 |
| Liabilities | | |
| Financing (local currency) | 9,087 | 6,066 |
| Derivative instruments | | 163 |
| | 9,087 | 6,229 |

| | | |
|---|---------|---------|
| Net liabilities exposed to interest rate risk | (3,002) | (1,544) |
|---|---------|---------|

(c) Credit risk

The risk resulting from losses on doubtful receivables for CEMIG is considered low. A significant part of electricity sales is dispersed among a large number of customers. The Company's procedures to reduce overdue bills comprise the issuance of notices that bills are overdue, phone calls and negotiations to permit the collectability of bills that are in arrears. After these efforts are exhausted, CEMIG interrupts the energy supply.

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(d) Debt acceleration risk

The Company and certain of its subsidiaries have contracts for loans, financing and debentures with certain restrictive clauses (covenants), usually applicable to such operations, related to compliance with economic-financial indices, cash flow generation and other indicators. The creditors have the right to declare the early termination of CEMIG's obligations and require the immediate payment of all outstanding debts in the case of a violation of such restrictive clauses. Two of these restrictive covenants were not complied with on December 31, 2009, and the Company obtained formal consent (waiver) from the creditor that it will not demand early maturity of the obligation prior to January 1, 2011.

(e) Risk of non-renewal of concessions

The Company has concessions for commercial operation of electricity generation, transmission and distribution services with the expectation, by the management, that ANEEL and/or the Mining and Energy Ministry will renew them. If the renewals of the concessions are not granted by the Regulatory Body or if those Bodies renew them for requirement of additional costs (concession for consideration), the present levels of profitability and activity could be altered.

29. SHAREHOLDERS AGREEMENT

In 1997, the State Government of Minas Gerais sold approximately 33% of the Company's common shares to a group of investors led by Southern Electric Brasil Participações Ltda. (Southern). As part of this transaction the State of Minas Gerais and Southern entered into a Shareholders Agreement that provided for, among other things, the requirement of a qualified quorum to approve significant corporate acts, certain amendments to CEMIG's by-laws, the issuance of debentures and convertible securities, the distribution of dividends other than that provided for in the by-laws and changes to the corporate structure.

On September 1999, the State Government of Minas Gerais brought an annulment action, by way of a request for interim relief against the shareholders agreement entered into with Southern in 1997. In 2003, the Supreme Court of the State of Minas Gerais annulled the referred to shareholders agreement. The appeals filed by Southern are under the Federal Courts consideration.

30. CONCENTRATIONS

(a) Labor:

The majority of CEMIG's work forces are members of SINDIELETRO (employee labor union). CEMIG and SINDIELETRO negotiate a collective bargaining agreement on an annual basis, which includes wage increases and profit sharing, along with other matters. The collective bargaining agreement becomes effective in November of each year. The 2009 collective bargaining agreement included a 4.88% (7.26% in

2008) average salary increase.

(b) Renewal of concession agreements:

The Mining and Energy Ministry (MME) has constituted a technical working group to analyze the criteria that will be applied in the renewals of the concessions for generation, transmission and distribution expiring from 2015 onward. Suggestions will be sent to the National Energy Policy Council and, according to statements by the participants in this group, will have as their objective the reduction of tariffs for consumers. The Company has the expectation of renewal of its concessions, and is not yet able to estimate the effect on its financial statements arising from this issue.

Seven of the Company's hydroelectric plants accounted for approximately 75% of its installed electric generation capacity as of December 31, 2009.

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| GENERATION CONCESSIONS- | Installed Capacity (MW)(unaudited) | Expiration Date |
|---------------------------------|---|--------------------------|
| São Simão | 1,710 | January 2015 |
| Emborcação | 1,192 | July 2025 |
| Nova Ponte | 510 | July 2025 |
| Jaguara | 424 | August 2013 |
| Miranda | 408 | December 2016 |
| Três Marias | 396 | July 2015 |
| Volta Grande | 380 | February 2017 |
| Irapé | 360 | February 2035 |
| Aimorés | 162 | December 2035 |
| Salto Grande | 102 | July 2015 |
| Others | 734 | July 2015 to August 2036 |
| Total installed capacity | 6,378 | |

| DISTRIBUTION CONCESSIONS- | Date concession expires |
|----------------------------------|------------------------------------|
| Northern Region | February 2016 |
| Southern Regional | February 2016 |
| Eastern Region | February 2016 |
| Western Region | February 2016 |

31. INSURANCE

The Company has insurance policies for part of its property, plant and equipment, as follows:

| Risk | Coverage | Effective Date | Insured Amount (*) |
|---|-----------------------|---------------------------|-------------------------------|
| Aircraft (Cemig Geração e Transmissão) 2009 to 2010 | Fuselage | 05/25/09 to 04/29/10 | U\$ 4 |
| Aircraft (Cemig Geração e Transmissão) 2009 to 2010 | Third party liability | 05/25/09 to 04/29/10 | U\$ 10 |
| Warehouses and buildings 2009 to 2010 | Fire | 11/08/09 to 11/08/10 | 731 |
| Aircraft (Cemig Distribuição) 2009 to 2010 | Fuselage | 04/29/09 to 04/29/10 | U\$ 6 |
| Aircraft (Cemig Distribuição) 2009 to 2010 | Third party liability | 04/29/09 to 04/29/10 | U\$ 14 |
| Generators, turbines and equipment 2009 to 2010 | Total | 05/05/09 to 05/05/10 | 1,954(**) |

CEMIG, except for the aeronautical segment, does not have general third-party liability insurance covering accidents and has not requested bids relating to this type of insurance. The Company has not requested bids for, nor does it carry, insurance coverage for major catastrophes affecting its facilities such as earthquakes and floods, for business interruption risk or system failures. In addition, the Company does not have insurance for losses incurred as a result of business interruption caused by a strike or other type of labor action.

The Company has not experienced significant losses arising from the aforementioned risks.

(*) Unaudited

(**)The maximum limit of indemnity is R\$187

32. COMMITMENTS

CEMIG has outstanding contractual obligations and cash commitments which include principal debt payment provisions, the obligation to purchase electricity for resale from Itaipu, the obligation to transfer and transport electric power from Itaipu as well as construction commitments. The following table provides information, as of December 31, 2009, about our contractual obligations and cash commitments.

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| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 and beyond | Total |
|--|-------|-------|-------|-------|-------|-------|-----------------|---------|
| Debt (1) | 3,913 | 1,119 | 1,273 | 1,109 | 908 | 424 | 531 | 9,277 |
| Derivative financial instruments (swaps) | 51 | 11 | 11 | 5 | | | | 78 |
| Purchase of Electricity from Itaipu (2) | 899 | 842 | 863 | 897 | 925 | 722 | 18,761 | 23,909 |
| Transportation of Electric Power from Itaipu (2) | 67 | 70 | 71 | 74 | 54 | 47 | 2,148 | 2,531 |
| Pension Plan Debt - Forluz | 82 | 70 | 66 | 43 | 46 | 48 | 549 | 904 |
| Luz para todos (Light for all) Program | 499 | | | | | | | 499 |
| Regulatory investments | 631 | 631 | 631 | 157 | | | | 2,050 |
| Electricity Power Purchase (3) | 2,525 | 3,003 | 3,969 | 4,605 | 4,318 | 4,181 | 112,344 | 134,945 |
| Total | 8,667 | 5,746 | 6,884 | 6,890 | 6,251 | 5,422 | 134,333 | 174,193 |

(1) In the event of our non-compliance with certain covenants in our loan agreements, the total principal, future interest and any penalties due under these agreements may become immediately due and payable. These amounts do not include interest payments on debt or payments under interest rate swap agreements. The Company expects to pay approximately R\$590 in interest payments on debt in 2010. The Company does not believe projections of interest payments and payments under interest rate swap agreements would be meaningful.

(2) Contract with Furnas, denominated in U.S. dollars, to supply electric power purchased from Itaipu until May 2013. Amounts are calculated based on the U.S. dollar exchange rate as of December 31, 2009.

(3) It includes spot market, purchase through auctions and bilateral agreements.

33. SEGMENT INFORMATION

The main Company's reportable segments are its generation and transmission, and distribution segments.

The Company's chief operating decision maker utilizes information prepared in accordance with Brazilian GAAP. Consequently, the Company has presented its segment information in accordance with Brazilian GAAP, reconciled to U.S. GAAP. The operations of all reportable segments of the Company are conducted substantially in the State of Minas Gerais, Brazil. Reportable segments are strategic business units that offer different products and services. Each of the reportable segments has a responsible senior officer. All inter-segment activity has been eliminated. Financial information for each of the Company's reportable segments for the years ended December 31, 2009, 2008 and 2007 (only for the consolidated statements of operations and comprehensive income), is as follows:

| | BRGAAP 2009 | Adjustment | USGAAP 2009 | BRGAAP 2008 | Adjustment | USGAAP 2008 |
|-----------------------------|----------------|------------|----------------|----------------|------------|----------------|
| Identifiable assets | | | | | | |
| Electricity | | | | | | |
| Distribution | 13,398 | (162) | 13,236 | 13,196 | 149 | 13,345 |
| Generation and Transmission | 11,503 | 721 | 12,224 | 8,281 | 826 | 9,107 |
| Other | 3,140 | (39) | 3,101 | 2,340 | (11) | 2,329 |
| Total consolidated assets | 28,041 | 520 | 28,561 | 23,817 | 964 | 24,781 |

The Company allocated the account receivable from Minas Gerais State Government to the Distribution segment.

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| 2009 | Power Generation and Transmission | Distribution of Energy | Other | BRGAAP | Adjustment | USGAAP |
|--|---|---------------------------|-------|--------|------------|--------|
| Net operating revenues | 3,807 | 7,318 | (114) | 11,011 | 89 | 11,100 |
| Operating income | 2,206 | 625 | (19) | 2,812 | (293) | 2,519 |
| Financial income (expenses), net | (197) | | 5 | (192) | 83 | (109) |
| Income tax (Expense) Benefit | (608) | (135) | (136) | (879) | 72 | (807) |
| Net income | 1,473 | 431 | 43 | 1,947 | (179) | 1,768 |
| Depreciation and amortization charges | (242) | (357) | (30) | (629) | (82) | (711) |
| Equity method | | | 206 | 206 | (41) | 165 |
| Additions to property, plant and equipment | 124 | 632 | 70 | 826 | 25 | 851 |
| 2008 | Power Generation and Transmission | Distribution of Energy | Other | BRGAAP | Adjustment | USGAAP |
| Net operating revenues | 3,334 | 6,412 | 93 | 9,839 | (11) | 9,828 |
| Operating income | 1,750 | 847 | (101) | 2,496 | (209) | 2,287 |
| Financial income (expenses), net | (171) | (12) | 68 | (115) | 132 | 17 |
| Income tax (Expense) Benefit | (431) | (226) | (126) | (783) | 28 | (755) |
| Net income | 1,148 | 609 | 55 | 1,812 | (59) | 1,753 |
| Depreciation and amortization charges | (240) | (354) | (26) | (620) | 149 | (769) |
| Equity method | | | 214 | 214 | (10) | 204 |
| Additions to property, plant and equipment | 96 | 716 | 46 | 858 | 113 | 971 |

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| 2007 | Power Generation and Transmission | Distribution of Energy | Other | BRGAAP | Adjustment | USGAAP |
|--|---|---------------------------|-------|--------|------------|--------|
| Net operating revenues | 2,999 | 6,368 | 111 | 9,478 | (48) | 9,430 |
| Operating income | 1,450 | 1,405 | (51) | 2,804 | (274) | 2,530 |
| Financial income (expenses), net | (185) | 10 | 34 | (141) | 93 | (48) |
| Income tax (Expense) Benefit | (298) | (312) | (134) | (744) | 63 | (681) |
| Net income | 857 | 771 | 107 | 1,735 | (117) | 1,618 |
| Depreciation and amortization charges | 239 | 417 | 16 | 672 | 206 | 878 |
| Equity method | | | 222 | 222 | | 222 |
| Additions to property, plant and equipment | 293 | 733 | 24 | 1,050 | 70 | 1,120 |

Table of Contents**34. CONDENSED UNCONSOLIDATED FINANCIAL INFORMATION OF CEMIG****BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008 (UNCONSOLIDATED)****(Expressed in millions of Brazilian reais)**

| | 2009 | December 31, 2008 |
|--|---------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 657 | 257 |
| Tax recoverable (note 8) | 8 | 12 |
| Deferred income and social contr. Taxes (note 5) | 8 | 18 |
| Dividends receivable | 1,362 | 1,437 |
| Other | 14 | 21 |
| | 2,049 | 1,745 |
| NONCURRENT ASSETS | | |
| CRC Account Securitization Fund (FIDC) (note 3) | 873 | 811 |
| Deferred income and social contr. Taxes (note 5) | 133 | 158 |
| Tax recoverable (note 8) | 112 | 174 |
| Escrow deposits | 95 | 88 |
| Other | 137 | 107 |
| | 1,350 | 1,338 |
| PERMANENT ASSETS | | |
| Investments in subsidiaries and affiliates | 8,730 | 7,897 |
| Property, plant and equipment | 31 | 5 |
| | 8,761 | 7,902 |
| TOTAL ASSETS | 12,160 | 10,985 |

| | 2009 | December 31, 2008 |
|--|-------|----------------------|
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable to suppliers | 14 | 7 |
| Payroll and related charges | 18 | 16 |
| Taxes payable | 33 | 32 |
| Dividends and interest on capital | 954 | 960 |
| Current portion of long-term financing | 23 | 7 |
| Other | 40 | 39 |
| | 1,082 | 1,061 |
| LONG TERM LIABILITIES | | |

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| | | |
|---|--------|--------|
| Long-term financing (note 14) | 55 | 74 |
| Employee post-retirement benefits (note 16) | 110 | 90 |
| Accrued liability for contingencies (note 17) | 385 | 397 |
| Other | 106 | 30 |
| | 656 | 591 |
| SHAREHOLDERS EQUITY | 10,422 | 9,333 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 12,160 | 10,985 |

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Table of Contents**STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (UNCONSOLIDATED)****(Expressed in millions of Brazilian reais)**

| | 2009 | December 31, 2008 |
|--------------------------------------|-------|----------------------|
| OPERATING EXPENSES | (59) | (127) |
| OTHER INCOME | 1,954 | 1,940 |
| FINANCIAL INCOME (EXPENSES), NET | 1 | 58 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | (128) | (118) |
| NET INCOME | 1,768 | 1,753 |
| OTHER COMPREHENSIVE INCOME | 253 | 299 |
| COMPREHENSIVE INCOME | 2,021 | 2,052 |

STATEMENTS OF CASH FLOWS (UNCONSOLIDATED)**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(Expressed in millions of Brazilian reais)**

| | 2009 | December 31, 2008 |
|--|-------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | 1,628 | 1,281 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Escrow deposits | (8) | 5 |
| Acquisition of investments | (290) | (181) |
| Net cash used in investing activities | (298) | (176) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Dividends and interest on capital paid | (930) | (870) |
| Net cash provided by (used in) financing activities | (930) | (870) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 400 | 235 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of the year | 257 | 22 |
| End of the year | 657 | 257 |
| | 400 | 235 |

SUPPLEMENTARY CASH FLOWS DISCLOSURE:

| | | |
|--|----|----|
| Taxes paid - income taxes | 40 | 84 |
| Interest paid, net of interest capitalized | 11 | 9 |

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Following is information relating to CEMIG unconsolidated condensed financial statements presented above:

- Investments As of December 31, 2009 and 2008, investments in subsidiaries and affiliates are comprised as follows (see note 9):

| | 2009 | 2008 |
|---|-------|-------|
| Cemig Geração e Transmissão S.A. | 3,944 | 3,808 |
| Cemig Distribuição S.A. | 2,541 | 2,209 |
| Empresa Amazonense de Transmissão de Energia S.A. EATE | 511 | 183 |
| Companhia de Gás de Minas Gerais GASMIG | 431 | 320 |
| Light | 377 | |
| Cemig Telecom | 271 | 259 |
| Empresa Norte de Transmissão de Energia S.A. ENTE | 154 | 59 |
| Empresa Paraense de Transmissão de Energia S.A. ETEP | 98 | 38 |
| Horizontes Energia S.A. | 67 | 67 |
| Rosal Energia S.A. | 52 | 125 |
| Sá Carvalho S.A. | 45 | 95 |
| Empresa Regional de Transmissão de Energia S.A. ERTE | 35 | 13 |
| Cemig PCH S.A. | 33 | 52 |
| Usina Térmica Ipatinga S.A. | 32 | 66 |
| Transchile Charrúa Transmisión S.A. | 28 | 34 |
| Empresa Catarinense de Transmissão de Energia S.A. ECTE | 22 | 10 |
| Companhia de Transmissão Centroeste de Minas | 17 | 7 |
| Cemig Capim Branco Energia S.A. | 15 | 55 |
| Companhia Transleste de Transmissão Transleste | 12 | 12 |
| Companhia Transudeste de Transmissão Transudeste | 8 | 7 |
| Efficientia S.A. | 7 | 6 |
| Central Térmica de Cogeração S.A. | 6 | 154 |
| Companhia Transirape de Transmissão Transirape | 6 | 5 |
| UTE Barreiro S.A. | 5 | 2 |
| Axxiom | 3 | 3 |
| Rio Minas Energia | | 303 |
| Others | 10 | 5 |
| | 8,730 | 7,897 |

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- Taxes recoverable As of December 31, 2009 and 2008, taxes recoverable are mainly comprised as follows (see note 8):

| | 2009 | December 31, 2008 |
|----------------------------|------|----------------------|
| Current assets - | | |
| VAT | 4 | 4 |
| COFINS | | 5 |
| PIS | | 1 |
| Other | 4 | 2 |
| | 8 | 12 |
| Other non-current assets - | | |
| Income tax | 100 | 163 |
| Social contribution tax | 12 | 11 |
| | 112 | 174 |

- Deferred income and social contribution taxes As of December 31, 2009 and 2008, the major components of the deferred income and social contribution taxes are as follows (see note 5):

| | 2009 | December 31, 2008 |
|--|-------|----------------------|
| Tax loss carryforwards | 413 | 479 |
| Employee post-retirement benefits | 24 | 15 |
| Provision for contingencies | 94 | 100 |
| Provision for doubtful accounts | 16 | 18 |
| Other temporary differences | 2 | 1 |
| | 549 | 613 |
| Provision for losses on realization of deferred tax balances | (408) | (437) |
| | 141 | 176 |
| Current Assets | 8 | 18 |
| Other Assets | 133 | 158 |

- Accrued liabilities for contingencies As of December 31, 2009 and 2008, accrued liabilities for contingencies are mainly comprised as follows (see note 17):

| | 2009 | December 31, 2008 |
|---------------------|------|----------------------|
| Labor Claims | | |
| Various | 73 | 75 |

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Civil Lawsuits

| | | |
|-----------------|----|----|
| Personal Injury | 20 | 28 |
| Rate Increase | 55 | 76 |
| Other | 89 | 94 |

164 198

Tax

| | | |
|--------------------------------------|----|----|
| FINSOCIAL | 21 | 21 |
| Taxes payable Suspended Liability | 85 | 77 |
| INSS | 1 | 1 |
| Other | 17 | 13 |

124 112

Regulatory

| | | |
|----------------------------------|----|----|
| ANEEL Administrative Proceedings | 24 | 12 |
|----------------------------------|----|----|

Total 385 397

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35. SUBSEQUENT EVENTS

(a) Rates readjustment

The rates of Cemig Distribuição S.A. were increased by an average of 1.67% from April 8, 2010. The adjustment was applied in different percentages by category of consumption. The effect of the rate adjustment (net amount of R36) was recorded into the consolidated revenue of the year ended in 2009

(b) Capital increase approved in the Annual General Meeting of Shareholders occurred on April 29, 2010

The capital increase was approved in the Annual General Meeting of Shareholders occurred on April 29, 2010. The registered capital of CEMIG according to the Brazilian Corporate Law increased from R\$3,102 to R\$3,412, with issuance of new shares through capitalization of R\$295 of the balance of the Retained Earnings Reserve, and R\$15 from the Capital Reserve, distributing to shareholders as a consequence a 10% share bonus, in new shares of the same type as those held, with a nominal unit value of R\$5.00.

(c) Acquisition of additional stake in Light

CEMIG signed two Purchase and Sale Agreement with the Andrade Gutierrez Concessões S.A. (AGC) and FIP PCP (controlling company of Equatorial Energia S.A. - Equatorial), with the objective of restructuring the control of Light SA.

For Light's interest acquisition CEMIG will set up a Special Purpose Entity (SPE) together with FIP Fund (Investment Fund), where CEMIG will have a minority interest. This SPE will hold at the end of the restructuring 26.06% interest in Light SA. CEMIG will stay with its original interest of 13.03% directly in the Light.

The closing of the transaction is subject to approval by the competent regulatory bodies, by BNDES and all other approvals, financing agents and debenture holders of Light and its subsidiaries as necessary. The closing date of the transaction will be determined after the fulfillment of these conditions.

Agreement with AGC:

Purchase and Sale Agreement for acquisition of approximately 13.03% of the total share and voting capital of Light. The total purchase price was R\$785, equivalent to R\$29.54 per common share, being the amount of R\$753, representing 12.50% of the total capital of Light, paid on

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March 25, 2010 and R\$32, representing 0.53% of total capital of Light, until June 27, 2010. These values will be corrected by the rate CDI - Interbank Deposit Certificate and will be deducted from dividends and interest on own capital may be paid or declared by the Light in that period.

Contract with the FIP PCP:

Purchase and Sale Agreement for acquisition of 7.22% from total share and voting capital of Light. To conclude this transaction, Equatorial must pass through a process of split off to segregate the indirect assets of Light for a new company (Newco) to be incorporated and listed in the highest level of corporate governance of BM&F Bovespa (New Market). Thus, Newco will hold the shares of Light currently belonging to Equatorial. After this split off and the listing of Newco's shares on the New Market, the controlling group of Equatorial (FIP PCP) will dispose all of its direct and / or indirect interest in Newco to a company whose capital CEMIG participate at not less than 20%. The purchase price was the same as that negotiated with the AGC, from R\$ 29.54 per share of Light, which corresponds to R\$435 for indirect currently held by FIP PCP in Light.

The transaction value may reach R\$785, corresponding to the total value of common shares issued by Light that Newco will indirectly hold, representing approximately 13.03% of the total share and voting capital of the Light, if the minority shareholders of Newco exercising their right to sell under the same conditions of the controlling (tag along).

The Reorganization of Equatorial should be completed within a maximum period of 18 months and the amount to be paid will be fixed in time for the DI Interbank Rate, from December 1, 2009 through the date of payment and will be deducted from the value the Dividends and interest on capital which may be paid or declared by the Light in this period.

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(d) Additional option contract to buy indirect interest in Light

On March 24, 2010 CEMIG entered into an option contract for sale of shares and other matters (the Option) with Enlighted Partners Venture Capital LLC, a limited liability company registered in Delaware, USA. The object of the contract is the grant of an option to sell the share units of Luce Investment Fund (Luce Fund), with head office in Newark, DE, United States, which owns 75% of the share units in Luce Brasil Fundo de Investimento em Participações, with headquarters in the City and State of Rio de Janeiro, which in turn is the indirect holder, through Luce Empreendimentos e Participações S.A., of 26,576,149 common shares in Light, representing approximately 13.03% of the total and voting capital of Light.

The price of the share units of Luce Fund, in the event of the Option being exercised, is US\$340.5, plus interest equivalent to 11% per year from December 1, 2009. From that amount will be deducted any dividends or Interest on Equity paid or declared by Light as from December 1, 2009 up to the exercise of the Option, in case it happens. The price of the shares is equivalent to R\$588 at the exchange rate of December 1, 2009.

The Option may be exercised at any time in the period from October 1 through October 6, 2010 and its exercise shall create an obligation upon CEMIG to acquire or indicate a third party that shall acquire the totality of the share units of Luce Fund.

Final closing of this transaction is conditional upon certain contractually established requirements being met, and also approval by the ANEEL; the Administrative Economic Defense Council, Cade; BNDES; and, where necessary, the other financing agents of and debenture holders of Light and its subsidiaries.

(e) TAESA s public offering

On March 23, 2010 the jointly-controlled subsidiary Alterosa (the Offering Party), published a Notice submitting to holders of shares and/or units issued by TAESA, a public offer for acquisition of the shares and units issued by the Company (the Offering). The principal conditions were as follows: to acquire the stockholding control of TAESA, the Offering Party paid the amount of R\$2,148 (R\$37.14 per Unit and R\$12.38 per Share - the Acquisition Price), which includes the deduction of the amounts of dividends that were paid by TAESA on October 26, 2009 (R\$3.44 per Unit and R\$1.15 per Share), and also the monetary updating of 103% of the Selic Rate from September 30, 2009 to November 3, 2009, exclusive, as specified in the contract for purchase and sale of shares in TAESA.

The Offering Party intended to acquire the shares and the units from those to whom the Offering was addressed for a price equivalent to 100% of the Acquisition Price (R\$37.14 per unit and R\$12.38 per share - the Offer Price).

The Offer Price was to be paid at sight, in Brazilian currency, on the settlement date, updated by the Selic rate calculated pro rata temporis from the Closing Date, exclusive, up to the Settlement Date, inclusive. The Intermediary Institution had the duty of informing the Operations Director of the BM&F Bovespa of the Offer Price by up to two days before the date of holding the Auction.

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Stockholders wishing to accept the Offer were instructed to qualify by 6 pm on day prior to the date of holding of the Auction, with Itaú Corretora or any other broker authorized to operate in the Bovespa segment of the BM&FBovespa (Broker), for such Broker to represent it in the Auction.

The Auction of the Offer was held on May 6, 2010 (the Auction Date), at 1 pm, obeying the rules established by the BM&FBovespa (the Auction).

(f) CEMIG Geração e Transmissão issued debentures and redeemed commercial promissory notes of the third issue

On January 15, 2010 Cemig Geração e Transmissão issued 270,000 debentures non-convertible into shares, which totaled R\$2,700. The debentures were subscribed on March 9 and March 10, 2010, and the funds obtained from the Offering were used to pay an early redemption of all the Commercial Promissory Notes in circulation (Total Early Redemption), in accordance with item VI of the conditions stated on the Notes, under the heading Early Redemption .

On March 10, 2010 (Redemption Date) the Company made the payment of the Nominal Unit Value of the Notes, augmented by the remuneration specified in item 1 of the said conditions, under the heading Remuneration , calculated pro rata temporis from the Issue Date (October 30, 2009) up to the said Redemption Date. The Company paid on March 10, 2010 the approximately amount of R\$2,945 for the promissory notes.

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(g) Notes from CEMIG Distribuição

On May 27, 2010 CEMIG Distribuição raised around R\$600 with Banco Brasil S.A. (Banco do Brasil) through two Cédulas de Crédito Comercial (Notes). which maturity date is May 10, 2013 and the effective rate of interest is 11.43% per year.

Additionally, CEMIG Distribuição made a swap transaction with Banco do Brasil, in the same amount of the notes, substituting the stated interest rate 11.47% for the rating of 96% of CDI. The swap s maturity date is May 27, 2010.

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Exhibit Index

| Exhibit Number | Document |
|---------------------------|---|
| 1 | Corporate by-laws of CEMIG, as amended and in effect since April 29, 2010. |
| 2.1 | Second Amended and Restated Deposit Agreement, dated as of August 10, 2001, by and among us, Citibank, N.A., as depository, and the holders and beneficial owners of ADSs evidenced by ADRs issued thereunder (incorporated by reference to the Registration Statement on Form F-6 relating to the ADSs filed on August 20, 2001 (File No. 333-13826)). |
| 2.2 | Shareholders Agreement, dated June 18, 1997, between the State Government and Southern, relating to the rights and obligations of owners of our shares (incorporated by reference to Exhibit 2.1 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)). |
| 2.3 | Amendment No. 1 to the Second Amended and Restated Deposit Agreement, dated as of August 10, 2001, by and among us, Citibank, N.A., as depository, and the holders and beneficial owners of ADSs evidenced by ADRs issued thereunder (incorporated by reference to the Registration Statement on Form F-6 relating to the ADSs filed on June 11, 2007 (File No. 333-143636)). |
| 2.4 | Deposit Agreement, dated as of June 12, 2007, by and among us, Citibank, N.A., as depository, and the holders and beneficial owners of ADSs evidenced by ADRs issued thereunder (incorporated by reference to the Registration Statement on Form F-6 relating to the common share ADSs filed on May 7, 2007 (File No. 333-142654)). |
| 4.1 | Contract of Concession for Generating Electric Energy, dated July 10, 1997, between the Federal Government and us, relating to the provision of electric energy generation services to the public (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)). |
| 4.2 | Contract of Concession of Electric Energy Transmission Services, dated July 10, 1997, between the Federal Government and us, relating to the transmission of electric energy to the public (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)). |
| 4.3 | Second Amendment to the Electricity Transmission Concession Contract, dated September 16, 2005 (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)). |
| 4.4 | Third Amendment to the Electricity Transmission Concession Contract, for the Northern, Southern, Eastern, and Western geographic areas, dated April 13, 2010. |
| 4.5 | Contracts of Concession of Public Service for Distribution of Electric Energy, dated July 10, 1997, between the Federal Government and us, relating to the provision of electric energy distribution services to the public (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)). |
| 4.6 | First Amendment to the Electricity Distribution Concession Contract, dated March 31, 2005 (incorporated by reference to Exhibit 4.5 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)). |
| 4.7 | Second Amendment to the Electricity Distribution Concession Contract, dated September 16, 2005 (incorporated by reference to Exhibit 4.6 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)). |
| 4.8 | Contract for the Assignment of CRC Account, dated May 31, 1995, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.4 to our Registration Statement on Form 20-F filed on August 13, 2001 (File No. 1-15224)). |
| 4.9 | First Amendment to the Contract for the Assignment of CRC Account, dated February 24, 2001, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.5 to our Annual Report on Form 20-F filed on March 26, 2003 (File No. 1-15224)). |

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- 4.10 Second Amendment to the Contract for the Assignment of CRC Account, dated October 14, 2002, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.6 to our Annual Report on Form 20-F filed on March 26, 2003 (File No. 1-15224)).
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- 4.11 Third Amendment to the Contract for the Assignment of CRC Account, dated October 24, 2002, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.7 to our Annual Report on Form 20-F filed on March 26, 2003 (File No. 1-15224)).
 - 4.12 Fourth Amendment to the Contract for the Assignment of CRC Account, dated January 23, 2006, between the State Government and us, relating to amounts due to us from the State Government (incorporated by reference to Exhibit 4.14 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)).
 - 4.13 Announcement of Start of Public Distribution of Senior Units under CRC Account Securitization Fund, dated as of January 26, 2006 (incorporated by reference to Exhibit 4.15 to our Registration Statement on Form 20-F filed on June 30, 2006 (File No. 1-15224)).
 - 4.14 Summary of Indenture Covering Public Distribution of Non-Convertible Unsecured Debentures, dated August 24, 2006, between Cemig Distribuição S.A. and Unibanco União dos Bancos Brasileiros S.A. (incorporated by reference to Exhibit 4.18 to our Registration Statement on Form 20-F filed on July 23, 2007 (File No. 1-15224)).
 - 4.15 Summary of Indenture Covering Public Distribution of Non-Convertible Unsecured Debentures, dated April 17, 2007, between Cemig Geração e Transmissão S.A. and Unibanco União dos Bancos Brasileiros S.A. (incorporated by reference to Exhibit 4.19 to our Registration Statement on Form 20-F filed on July 23, 2007 (File No. 1-15224)).
 - 4.16 Summary of Indenture Covering the Second Issuance of Debentures, dated December 19, 2007, between Cemig Distribuição S.A. and BB Banco de Investimento S.A. (incorporated by reference to Exhibit 4.20 to our Annual Report on Form 20-F filed on June 30, 2008 (File No. 1-15224)).
 - 4.17 Share Purchase Agreement, dated April 23, 2009, between Cemig Geração and Transmissão S.A., Terna Rete Elettrica Nazionale S.p.A., and CEMIG (incorporated by reference to Exhibit 4.22 to our Registration Statement on Form 20-F filed on June 19, 2009 (File No. 1-15224)).
 - 4.18 English Summary of Share Purchase Agreement between Companhia Energética de Minas Gerais CEMIG and Andrade Gutierrez Concessões S.A., dated December 30, 2009.
 - 4.19 English Summary of Share Purchase Agreement between Companhia Energética de Minas Gerais CEMIG and Fundo de Investimento em Participações PCP, dated December 30, 2009.
 - 4.20 English Summary of Put Option Agreement between Companhia Energética de Minas Gerais CEMIG and Enlighted Partners Venture Capital LLC, dated March 24, 2010.
 - 8 List of Subsidiaries (incorporated by reference to Exhibit 8 to our Annual Report on Form 20-F filed on May 25, 2005 (File No. 1-15224)).
 - 11 Code of Ethics (incorporated by reference to Exhibit 11 to our Annual Report on Form 20-F filed on July 1, 2004 (File No. 1-15224)).
 - 12.1 Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
 - 12.2 Chief Financial Officer, Investor Relations Officer and Control of Holding Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
 - 13.1 Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
 - 13.2 Chief Financial Officer, Investor Relations Officer and Control of Holding Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 30, 2010.
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