

Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.

Annual Report by Fiduciary Agent

2006

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1<sup>st</sup> issue of Convertible Debentures

CEMIG DISTRIBUIÇÃO S.A.

**CEMIG**

Distribuição S.A.

Rio de Janeiro, April, 27, 2007

**To the Debenture Holders**  
**Cemig Distribuição S.A.**  
**Comissão de Valores Mobiliários**  
**Unibanco S.A.**  
**CBLC**  
**CETIP**

Dear Sirs,

In our capacity as Fiduciary Agent for the 1<sup>st</sup> issue of debentures of **Cemig Distribuição S.A.** we hereby present to you the annual report on this issue, in accordance with CVM instruction 28 of November 23, 1983 and the Issue Deed.

The comments on the situation of the company were made on the basis of the Standardized Financial Statements (DFPs), other information supplied by the Issuer, and the internal controls of this Fiduciary Agent.

We also advise you that this report is available to debenture holders at the head office of the Issuer; at Pavarini DTVM, and at the CVM.

The electronic version of this report was sent to the issuer company, and is also available on our website [www.pavarini.com.br](http://www.pavarini.com.br).

Yours,

**Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.**  
Fiduciary Agent

## Issuer

<b>Full name of the company</b>	<b>CEMIG DISTRIBUIÇÃO S.A.</b>
Head office address	Avenida Barbacena 1200, 17 <sup>th</sup> floor, A1 wing, Belo Horizonte, Minas Gerais, Brazil.
CNPJ/MF	06.981.180/0001-16
Investor relations Director	Flávio Decat de Moura Tel 31-3299-4903 Fax 31-3299-4691 flaviodecat@cemig.com.br
Activity	The Objects of the Issuer are to study, plan, lay out, build, operate and commercially operate systems for distribution and sale of electricity and related services in accordance with such concessions as granted from time to time by any instrument of law.
Situation	Operational
Stockholding control	Mixed private / public sector
External auditors	Deloitte Touche Tohmatsu

## Characteristics of the Issue

<b>CVM Registration</b>	<b>CVM/SRE/DEB/2006/041 on 26/10/2006</b>
Clerk of the issue / Mandated Bank	Banco Itaú S.A.
Code on BOVESAPFIX / SND / ISIN	CMGD-D11 / CMGD11 / BRCMGDDBS009
Lead Manager	Unibanco
Distribution / Start / Close	Public / 01.11.2006 / 08.11.2006
Advertising announcements	<i>Minas Gerais, Gazeta Mercantil</i> National Edition, and <i>O Tempo</i>  <i>Rio de Janeiro/São Paulo/Chicago, August 25, 2006:</i> Today Fitch Ratings attributed a long-term National Rating of A+(bra) to the first issue of debentures by Cemig Distribuição S.A. in the amount of BRL 250.5 million. <i>Sao Paulo, August 8, 2006:</i> Moody's Latin America ("Moody's") attributed the rating of B1 on its global scale, in local currency, and Baa2.br on its national scale for the issue of approximately BRL 250 million in non-convertible debentures maturing 2014 by Cemig Distribuição S.A. which have the guarantee of Companhia Energética de Minas Gerais – Cemig, and which are part of the obligatory exchange of non-convertible debentures issued by Cemig in June 2004. Simultaneously, Moody's placed the ratings of Cemig in review for possible upgrade.
Rating	
Reports by the Fiduciary Agent	April 30
Status of Issue / Issuer	ACTIVE / PAYMENTS REGULAR

Security	Non-convertible debentures
Decision	Board Meeting of January 25, 2006, the minutes of which were re-ratified by the meetings of the Company's Board of Directors of June 29, 2006, and the Board Meeting of Cemig held on January 25, 2006.
Issue / series	1 <sup>st</sup> / 1 <sup>st</sup>
total value	R\$ 250,503,517.80
nominal value	R\$ 10,871.6048
Quantity	23,042
Form	Book-entry
Convertibility	Not convertible
Type	Unsecured, with guarantee by Cemig
Issue date	June 1, 2006
Maturity date	June 1, 2014
Renegotiation date	None
Subscription and paying-up	The subscription price of the debentures shall be the nominal unit value, plus the remuneration, calculated <i>pro rata temporis</i> from the issue date to the date of paying-up. The payment for the debentures shall be at sight, in the form of exchange for the debentures of the 3 <sup>rd</sup> Cemig Issue, in accordance with the Obligatory Exchange, and each debenture of the 3 <sup>rd</sup> Issue of Cemig shall correspond to 1 (one) Debenture of this Issue. <b>On November 1, 2006 all the debentures of the 3<sup>rd</sup> issue of CEMIG (CMIG13) were exchanged for debentures of the 1<sup>st</sup> issue of CEMIG DISTRIBUIÇÃO S.A.</b>
Amortization	Bullet
Remuneration	IGP-M inflation index + 10.5% p.a.
Dates of payment of remuneration	The interest will be paid on the first business day of June, from 2007 to 2014, and the nominal value updated on the maturity date.
Obligatory early acquisition	The Issuer shall be obliged to acquire, if there is a direct or indirect change in its stockholding control, or of the stockholding control of Cemig, the debentures in circulation, as defined in item 7.2.2. below, at the option of such debenture holders as do not agree to remain as holders of the Issuer after a change of stockholding control. The debenture holders shall be given notice of the offer of purchase by a specific notice published within 15 (fifteen) calendar days from the date of the actual change in stockholding control, and interested debenture holders shall have no less than 60 (sixty) days to state their position, from the date of publication of the notice and in accordance with the procedures

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described in this notice. The acquisition of the debentures by the Issuer shall take place on the 30<sup>th</sup> (thirtieth) calendar day after the last day of the period for debenture holders to state their position, at their nominal value, plus the Remuneration, as specified in clause 4.2. above. For the purposes of this item, change in stockholding control shall be when: (i) the present direct controlling stockholder of the Issuer, Cemig, directly or indirectly, ceases to hold the equivalent of, at least, 50% (fifty per cent) plus one share of the total voting shares of the Issuer; and/or (ii) the present indirect controlling stockholder of the Issuer, the Government of the State of Minas Gerais, directly or indirectly, ceases to hold the equivalent of, at least, 50% (fifty per cent) plus one share of the total of the voting shares of Cemig; and/or (iii) the present controlling stockholder of Cemig, the Government of the State of Minas Gerais, directly or indirectly, ceases to hold the equivalent of, at least 50% (fifty per cent) plus one share of the total of shares of the voting stock of the Issuer.

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Quorum for decision in general meetings of debenture holders

In decisions by the general meeting, each debenture shall carry one vote, and voting by proxies, who may be debenture holders or not, shall be allowed. The decisions shall be taken by debenture holders representing the majority of the securities in circulation; except that changes in the conditions of Remuneration and/or payment of the debenture holders, specified in items 4.2 and 4.5 above, shall be approved by debenture holders representing 90% of the debentures in circulation, subject to the terms of item 7.2.2 above. The change in the provisions for early maturity specified in item 5.2 above and the release of the Issuer from obligations specified in Clause VI of this Deed, must be approved by debenture holders representing at least 2/3 (two thirds) of the debentures in circulation.

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## Allocation of proceeds

The Issuer has not received any funds from this Issue, since the debentures were fully paid up by transfer of debentures from the 3<sup>rd</sup> Issue of Cemig.

## Position of the debentures

Date	Issued	Redeemed	Canceled	Treasury	In circulation
01/06/2006	23,042	-	-	-	-
31/12/2006	23,042	-	-	-	23,042

## Guarantee

The debentures are unsecured, without preference, and have a guarantee from Cemig in accordance with Clause 4.8.

*“4.8.1. The debentures of this Issue, and the obligations assumed by the Issuer under this Issue, are guaranteed by a guarantee hereby given by the consenting guarantor, Companhia Energética de Minas Gerais – Cemig (“the Guarantor”), described in the preamble of this Deed, and which, by this instrument and for all purposes of law, undertakes as joint debtor and principal payer of all obligations arising from this Deed, up to its final settlement, expressly waiving the benefits specified in the Articles 366, 827, 834, 835, 837, 838 and 839 of Law 10406, of January 10, 2002, as amended (the “Civil Code”), and Articles 77 and 595 of Law 5869 of January 11, 1973, as amended (the “Code of Civil Procedure”), for the obligations assumed in this present Deed. Cemig warrants and guarantees that (i) the giving of this guarantee was duly authorized by its respective competent corporate bodies; and (ii) all the authorizations necessary for giving of this guarantee were obtained and are in full force and effect.*

*4.8.2. The guarantee here referred to is given by CEMIG irrevocably, and shall remain in full effect until full compliance by the Issuer, with all its obligations specified in this Deed.”*

## Optional early redemption

Debentures in this Issue are not subject to optional early redemption by the Issuer.

## Payments made and programmed

							R\$/debenture	
Date	Event	Installment	Amount	Event	Installment	Amount	Status	
01/06/2007	-	--	-	Interest	1/8	-	-	
01/06/2008	-	--	-	Interest	2/8	-	-	
01/06/2009	-	--	-	Interest	3/8	-	-	
01/06/2010	-	--	-	Interest	4/8	-	-	
01/06/2011	-	--	-	Interest	5/8	-	-	
01/06/2012	-	--	-	Interest	6/8	-	-	
01/06/2013	-	--	-	Interest	7/8	-	-	
			10,871.6048					
01/06/2014	Amort	1/1	+ Monetary updating	Interest	8/8	-	-	

## Notices to debenture holders

(published on 10/24/06 in *Gazeta Mercantil* and *Valor Econômico*)



**CEMIG**  
Distribuição S.A.

Companhia Aberta  
 CNPJ nº 06.981.180/0001-16  
 Av. Barbacena, 1200 - 17º andar, Ala A1  
 30190-131 - Belo Horizonte - MG  
 ISIN: BR0CMGDDBS009



### AVISO AO MERCADO

O Unibanco - União de Bancos Brasileiros S.A., na qualidade de Coordenador Líder da Oferta (abaixo definida), comunica, nos termos do artigo 53 da Instrução da Comissão de Valores Mobiliários ("CVM") nº 400, de 29 de dezembro de 2003, conforme alterada ("Instrução CVM 400"), que foi requerido perante a CVM, em 29 de junho de 2006, o registro da 1ª emissão pública de debêntures de emissão da CEMIG Distribuição S.A. ("Emissora" ou "CEMIG Distribuição") ("Oferta" ou "1ª Emissão").

**1 | INFORMAÇÕES SOBRE A OFERTA**

A presente Oferta é realizada para fins de realização de Permuta Obrigatória das debêntures da 3ª Emissão da Companhia Energética de Minas Gerais - CEMIG ("CEMIG") realizada nos termos da Escritura Particular da 3ª Emissão Pública de Debêntures Simples, em Série Única, da Espécie sem Garantia nem Preferência da CEMIG ("3ª Emissão da CEMIG") celebrada em 14 de Junho de 2004, conforme aditada, pelas Debêntures (conforme abaixo definida) da 1ª Emissão da CEMIG Distribuição, com o consequente cancelamento das debêntures da 3ª Emissão da CEMIG ("Permuta Obrigatória").

A Oferta compreenderá a 1ª Emissão de debêntures da CEMIG Distribuição, consistindo em 23.042 (vinte e três mil e quarenta e duas) debêntures simples, não convertíveis em ações, da espécie quirográria, em série única, com valor nominal unitário de R\$ 10.871,6048 (dez mil, oitocentos e setenta e um reais e seis mil e quarenta e oito décimos de milésimos de centavos) ("Debêntures"), totalizando o montante de R\$ 250.503.517,80 (duzentos e cinquenta milhões, quinhentos e três mil, quinhentos e dezesseis reais e oitenta centavos). As Debêntures terão prazo de 96 meses, a contar da Data de Emissão, vencendo portanto no primeiro dia útil de Junho de 2014. O valor nominal das Debêntures será atualizado pela variação do Índice Geral de Preço do Mercado - IGMP, acrescido de juros remuneratórios de 10,5% (dez inteiros e cinquenta centésimos por cento) ao ano, calculados por dias úteis, com base em um ano de 252 (duzentos e cinquenta e dois) dias, a partir da Data de Emissão. As Debêntures da presente Oferta são garantidas por fiança prestada pela CEMIG. A 1ª Emissão de Debêntures da CEMIG Distribuição foi aprovada na Reunião do Conselho de Administração da CEMIG Distribuição realizada em 25 de Janeiro de 2006, cujas deliberações foram retificadas pela Reunião do Conselho de Administração realizada em 29 de Junho de 2006. A garantia fiduciária desta Oferta foi prestada pela CEMIG em Reunião do Conselho de Administração realizada em 25 de Janeiro de 2006.

A Permuta Obrigatória será efetuada conforme previsto na Escritura de Emissão da 3ª Emissão da CEMIG, sendo que a integralização das Debêntures será à vista, mediante entrega em pagamento das debêntures da 3ª Emissão da CEMIG, nos termos da Permuta Obrigatória, e cada debênture da 3ª Emissão da CEMIG corresponderá a 1 (uma) Debênture da 1ª Emissão de Debêntures da CEMIG Distribuição.

**2 | INFORMAÇÕES SOBRE O PROCEDIMENTO DA OFERTA**

Observadas as condições previstas no Contrato de Distribuição da Oferta, o Coordenador Líder realizará a distribuição pública das Debêntures em regime de melhores esforços de colocação.

De acordo com as disposições da regulamentação aplicável, o Coordenador Líder deverá realizar a distribuição pública das Debêntures conforme plano de distribuição adocido em consonância com o disposto no §3º do artigo 33 da Instrução CVM 400, de forma a assegurar: (i) que o tratamento conferido aos investidores seja justo e equitativo, (ii) a adequação do investimento ao perfil de risco dos respectivos clientes do Coordenador Líder, e (iii) que quaisquer dúvidas por parte dos investidores possam ser esclarecidas por pessoa designada pelo Coordenador Líder.

O plano de distribuição será realizado nos seguintes termos:

- (i) após a obtenção do registro da Oferta na CVM, será publicado o respectivo anúncio de início;
- (ii) tendo em vista a Permuta Obrigatória, não haverá direito de preferência para subscrição das Debêntures pelos atuais acionistas da Emissora;
- (iii) ainda, tendo em vista a Permuta Obrigatória, não existirão lotes mínimos ou máximos de subscrição das Debêntures; e
- (iv) serão atendidos, única e exclusivamente, os debenturistas da 3ª Emissão da CEMIG, nos termos da Permuta Obrigatória.

O prazo máximo para colocação das Debêntures será de 5 (cinco) dias úteis, a contar da data da publicação do anúncio de início da Oferta.

As Debêntures serão registradas para distribuição no mercado primário (i) através do SDT - Sistema de Distribuição de Títulos, administrado pela CETIP - Câmara de Custódia e Liquidação ("CETIP"), com base nas políticas e diretrizes fixadas pela ANDIMA - Associação Nacional das Instituições do Mercado Financeiro ("ANDIMA"), sendo as Debêntures liquidadas e custodiadas na CETIP e (ii) através do Sistema BOVESPA, sendo as debêntures liquidadas e custodiadas na CBLC.

**3 | PROSPECTO PRELIMINAR**

O Prospecto Preliminar estará disponível nos seguintes endereços e páginas da rede mundial de computadores:

**CEMIG DISTRIBUIÇÃO S.A.**  
 www.cemig.com.br

**COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG**  
 Av. Barbacena, 1200, Belo Horizonte, MG  
 www.cemig.com.br

**UNIBANCO - UNIÃO DE BANCOS BRASILEIROS S.A.**  
 Av. Eusébio Matos, 891, São Paulo, SP  
 www.unibanco.com.br/prospectos

**COMISSÃO DE VALORES MOBILIÁRIOS - CVM**  
 Rua Sete de Setembro, 111, 5º andar, Centro, Rio de Janeiro, RJ, ou  
 Rua Cincinato Braga, 340, 2º, 3º e 4º andares, Edifício Delta Plaza, São Paulo, SP  
 www.cvm.gov.br

**BOVESPA/FTX - BOVESPA**  
 Rua XIV de Novembro, 275, São Paulo, SP  
 www.bovespa.com.br

**CÂMARA DE CUSTÓDIA E LIQUIDAÇÃO - CETIP**  
 Av. República do Chile, 230, 11º andar, Centro, Rio de Janeiro, RJ, ou  
 Rua Líbero Badaró, 425, 24º andar, Centro, São Paulo, SP  
 www.cetip.com.br

**4 | INFORMAÇÕES COMPLEMENTARES**

A Oferta está sujeita à aprovação prévia da CVM. Informações complementares sobre a Oferta poderão ser obtidas junto à Emissora e ao Coordenador Líder nos endereços indicados acima. As informações constantes do Prospecto Preliminar serão objeto de análise por parte da CVM e estão sujeitas à complementação ou correção. O Prospecto Definitivo da Oferta será colocado à disposição dos investidores nos locais referidos no item 3 acima, a partir da data de início da distribuição das Debêntures da Oferta. As informações acerca da Oferta e da Emissora estão detalhadas no Prospecto Preliminar.

Belo Horizonte, 24 de outubro de 2006.

**LEIA O PROSPECTO ANTES DE ACEITAR A OFERTA**

As informações incluídas no Prospecto Preliminar serão objeto de análise por parte da CVM, a qual ainda não se manifestou a respeito.

O Prospecto Preliminar está sujeito à complementação e alteração. O Prospecto Definitivo estará oportunamente à disposição dos investidores nos endereços indicados no item 3 acima.

O registro da presente Oferta não implica, por parte da CVM, garantia de veracidade das informações prestadas ou em julgamento sobre a qualidade da Companhia, bem como sobre as Debêntures a serem distribuídas.

"A(s) presente(s) oferta pública(s) programa foi(ram) elaborado(s) de acordo com as disposições do Código de Auto-Regulação da ANBID para as Ofertas Públicas de Distribuição e Aquisição de Valores Mobiliários, o qual se encontra registrado no 4º Ofício de Registro de Títulos e Documentos da Comarca de São Paulo, Estado de São Paulo, sob o nº 4850254, atendendo, assim, a(s) presente(s) oferta pública(s) programa, aos padrões mínimos de informação contidos no código, não cabendo à ANBID qualquer responsabilidade pelos referidos informações, pela qualidade da emissora ou ofertantes, das instituições participantes e dos valores mobiliários objeto da(s) oferta pública(s) programa".

Coordenador Líder



### MARKET ANNOUNCEMENT

Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.  
 Rua Sete de Setembro, 99 24º andar Rio de Janeiro RJ Tel/Fax 21 2507-1949  
 www.pavarini.com.br email pavarini@pavarini.com.br  
 Infotrust

Distribuição S.A.  
Listed Company

CNPJ No 06.981.180/0001-16

Avenida Barbacena 1200, 17<sup>th</sup> Floor, A1 Wing,  
Belo Horizonte, Minas Gerais, 30190-131, Brazil.**ISIN: BRCMGDBS009**

Unibanco (União de Bancos Brasileiros S.A.), as Lead Manager of the Offer (defined below), hereby gives notice, pursuant to Article 53 of CVM Instruction 400 of December 29, 2003, as amended ("CVM Instruction 400"), that application was made to the CVM on June 29, 2006 for registry of the 1<sup>st</sup> Public Issue of Debentures issued by CEMIG Distribuição S.A. ("the Issuer" or "CEMIG Distribuição") ("the Offer" or "the 1<sup>st</sup> Issue").

## **1. INFORMATION ABOUT THE OFFER**

This Offer is carried out for the purposes of realization of the Obligatory Exchange of Debentures of the 3<sup>rd</sup> Issue of Companhia Energética de Minas Gerais ("CEMIG") carried out under the Private Deed of the 3<sup>rd</sup> Public Issue of Non-Convertible Debentures in a Single Series Without Guarantee or Preference by CEMIG ("the 3<sup>rd</sup> CEMIG Issue") entered into on June 14, 2004, as amended, for the Debentures (as below defined) of the 1<sup>st</sup> Issue of CEMIG Distribuição, with the consequent cancellation of the Debentures of the 3<sup>rd</sup> CEMIG Issue ("the Obligatory Exchange").

The Offer will be the first issue of Debentures by CEMIG Distribuição, consisting of 23,042 (twenty three thousand and forty two) Debentures not convertible into shares, without guarantee, in a Single Series, with nominal unit value of R\$ 10,871.6048 (ten thousand, eight hundred and seventy one point six zero four eight Reais) ("the Debentures"), totaling the amount of R\$ 250,503,517.80 (two hundred and fifty million, five hundred and three thousand, five hundred and seventeen Reais and eighty centavos). The Debentures shall have a maturity of 96 months, from the Issue Date, thus maturing on the first business day of June 2014. The nominal value of the Debentures shall be updated by the variation of the IGP-M Inflation Index, plus remuneratory interest of 10.5% (ten point five per cent) per year, calculated in business days, on the basis of a year of 252 (two hundred and fifty two) days, from the Issue Date.

The Debentures of the present issue are guaranteed through a guarantee given by CEMIG.

The 1<sup>st</sup> Issue of Debentures of CEMIG Distribuição was approved at the meeting of the Board of Directors of CEMIG Distribuição held on January 25, 2006, the decisions of which were ratified by the meeting of the Board of Directors held on June 29, 2006. The performance guarantee of this Issue has been given by CEMIG, at a meeting of the Board of Directors held on January 25, 2006.

The Obligatory Exchange will be carried out as specified in the Issue Deed of the 3<sup>rd</sup> CEMIG Issue, and the paying up of the Debentures shall be at sight, by exchange with the Debentures of the 3<sup>rd</sup> CEMIG Issue, on the terms of the Obligatory Exchange, and each Debenture of the 3<sup>rd</sup> CEMIG Issue shall correspond to 1 (one) Debenture of the 1<sup>st</sup> Debenture Issue of CEMIG Distribuição.

## **2. INFORMATION ON THE PROCEDURES OF THE OFFER**

Subject to the conditions specified in the Distribution Contract of the Offer, the Lead Manager shall carry out the public distribution of the Debentures on a best efforts placement basis.

In accordance with the provisions of the applicable regulations, the Lead Manager shall carry out the public distribution of the Debentures in accordance with a distribution plan adopted in compliance with the terms of §3 of Article 33 of CVM Instruction 400, in such a way as to guarantee: (i) that the treatment given to the investors is fair and equitable, (ii) that the investment is appropriate to the risk profile of the respective clients of the Lead Manager; and (iii) that any doubts on the part of the investors can be cleared up by a person designated by the Lead Manager.

The distribution plan shall be carried out in the following terms:

- (i) after obtaining of registry of the Offer at the CVM, the respective Announcement of Commencement shall be published;
- (ii) in view of the Obligatory Exchange, there will be no right of preference for subscription of the Debentures by the Issuer's present stockholders;
- (iii) also in view of the Obligatory Exchange, there shall be no minimum or maximum lots for subscription of the Debentures; and
- (iv) in accordance with the terms of the Obligatory Exchange, only, and exclusively, the Debenture Holders of



the 3<sup>rd</sup> CEMIG Issue will be served.

The maximum period for placement of the Debentures shall be 5 (five) business days from the date of publication of the Announcement of Commencement of the Offer.

The Debentures shall be registered for distribution in the primary market: (i) through the SDT (Securities Distribution System), administered by CETIP (the Settlement and Custody Chamber), based on the policies and guidelines set by ANDIMA (the National Association of Financial Market Institutions), settlement and custody being at the CETIP; and (ii) through the BOVESPAFIX system, administered by the São Paulo Stock Exchange (Bovespa) ("the BOVESPAFIX System"), settlement and custody being at the CBLC (Brazilian Settlement and Custody Company).

The Debentures shall be registered for trading in the secondary market: (i) through the SND (National Debentures System), administered by the CETIP, based on the policies and guidelines fixed by ANDIMA, settlement and custody being at the CETIP; and (ii) through the BOVESPAFIX System administered by BOVESPA, settlement and custody being at the CBLC.

### **3. PRELIMINARY PROSPECTUS**

The Preliminary Prospectus shall be available at the following addresses and Internet web pages:

CEMIG DISTRIBUIÇÃO S.A.  
Avenida Barbacena 1200, 17<sup>th</sup> Floor, A1 Wing,  
Belo Horizonte, Minas Gerais, Brazil.  
[www.cemig.com.br](http://www.cemig.com.br)

COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG  
Av. Barbacena 1200, Belo Horizonte, Minas Gerais, Brazil.  
[www.cemig.com.br](http://www.cemig.com.br)

UNIBANCO – UNIÃO DE BANCOS BRASILEIROS S.A.  
Av. Eusébio Matoso 891, São Paulo, São Paulo State, Brazil.  
[www.unibanco.com.br/prospectos](http://www.unibanco.com.br/prospectos)

**COMISSÃO DE VALORES MOBILIÁRIOS – CVM**  
Rua Sete de Setembro 111, 5<sup>th</sup> Floor, Centro, Rio de Janeiro, RJ, Brazil, or  
Rua Cincinato Braga 340, 2<sup>nd</sup> to 4<sup>th</sup> Floors, Edifício Delta Plaza, São Paulo, São Paulo.  
[www.cvm.gov.br](http://www.cvm.gov.br)

**BOVESPAFIX- BOVESPA**  
Rua XV de Novembro 275, São Paulo, São Paulo State, Brazil.  
[www.bovespa.com.br](http://www.bovespa.com.br)

**CÂMARA DE CUSTÓDIA E LIQUIDAÇÃO – CETIP**  
Av. República do Chile 230, 11<sup>th</sup> Floor, Centro, Rio de Janeiro, RJ, or  
Rua Líbero Badaró 425, 24<sup>th</sup> Floor, Centro, São Paulo, São Paulo State, Brazil.  
[www.cetip.com.br](http://www.cetip.com.br)

### **4. COMPLEMENTARY INFORMATION**

The Issue is subject to prior approval by the CVM. Complementary information about the Issue may be obtained from the Issuer and the Lead Manager at the addresses indicated above. The information contained in the Preliminary Prospectus will be the subject of analysis by the CVM and is subject to complementation or correction.

The Final Prospectus of the Issue will be placed at the disposal of the investors in the locations referred to in item 3 above, as from the date of commencement of the distribution of the Debentures of the Issue. The information about the Issue and the Issuer is detailed in the Preliminary Prospectus.

Belo Horizonte, October 24, 2006

### **READ THE PROSPECTUS BEFORE ACCEPTING THE OFFER**

The information included in the Preliminary Prospectus shall be the subject of analysis by the CVM, which has not yet issued a statement on the subject.

The Preliminary Prospectus is subject to complementation and alteration. The Final Prospectus will be placed at the disposal of investors at the addresses indicated in item 3 above at an appropriate time.

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**Registry of the present Offer does not imply any guarantee by the CVM of the truthfulness of the information presented or any judgment by the CVM about the quality of the company, nor on the Debentures to be distributed.**

## General Meetings of Debenture Holders

There were no meetings of debenture holders in 2006.

## Amendments to the Issue Deed

No amendments to the Issue Deed were signed in 2006.

## Legal and Corporate Events

### ORDINARY GENERAL MEETING, HELD ON APRIL 28, 2006

On April 28, 2006, at 5pm, the stockholder Companhia Energética de Minas Gerais, holder of 100% of the Company's shares, attended at the company's head office, Av. Barbacena 1200, 17<sup>th</sup> Floor, A1 Wing, Belo Horizonte, Minas Gerais State, Brazil, represented by Counsel Dayse Aparecida Pereira de Sousa, as recorded in the Stockholders' Attendance Book, and also present were the member of the Audit Board Marcus Eolo de Lamounier Bicalho and the External Auditors Deloitte Touche Tohmatsu, represented by Mr. Gilberto Grandolpho, CRC-SP 1SP139572/0-5.

Initially and in accordance with Clause 6 of the Bylaws, the representative of the stockholder Companhia Energética de Minas Gerais nominated the Company's CEO, Djalma Bastos de Moraes, to chair the meeting. Put to the vote, the nomination of the representative of the stockholder Companhia Energética de Minas Gerais was approved.

The Chairman then declared the meeting open and invited me, Anamaria Pugedo Frade Barros, Superintendent of Cemig's General Secretariat Office, to be Secretary of the meeting, and requested me to read the convocation announcement, published in *Minas Gerais*, the official publication of the powers of the State, on April 12, 13 and 18, and in *O Tempo*, on April 12, 13 and 14, and *Gazeta Mercantil* on April 13, 17 and 18, the content of which is as follows:

"CEMIG DISTRIBUIÇÃO S.A. - CNPJ 06.981.180/0001- 16 – ORDINARY GENERAL MEETING OF STOCKHOLDERS – CONVOCATION – The stockholder Companhia Energética de Minas Gerais is hereby called to the Ordinary General Meeting to be held on April 28, 2006, at 5pm, at Av. Barbacena 1200, 17<sup>th</sup> Floor, A1 Wing, Belo Horizonte, Minas Gerais State, to decide on the following matters:

- 1- examination, debate and vote on the Report of Management and Financial Statements for the year ended December 31, 2005, and the respective complementary documents;
- 2- allocation of the net profit for the business year of 2005, in accordance with Article 192 of Law 6404/76 as amended;
- 3- decision on the form and date of payment of Interest on Equity and complementary dividends, in the amount of R\$ 940,623,000;
- 4- election of the sitting and substitute members of the Board of Directors, if there is alteration in the composition of the Board of Directors of Cemig arising from the expiry of the period of office of the Board Members;
- 5- election of sitting and substitute members of the Audit Board.

Signed at Belo Horizonte, March 8, 2006 by:  
Wilson Nélio Brumer, Chairman of the Board of Directors."

The Chairman, in accordance with Item 1 of the agenda, then placed in debate the Report of Management and the Financial Statements for the year ended December 31, 2005, and the respective complementary documents, explaining that they have been widely published in the press, since they were placed at the disposal of the stockholder, by notice inserted in the newspapers *Minas Gerais*, the official journal of the powers of the State, on March 10, 11 and 14, *O Tempo*, on March 10, 11 and 13, and *Gazeta Mercantil*, on March 10, 13 and 14, and published in *Minas Gerais*, the official journal of the powers of the State, and in *O Tempo*, on April 8, and in *Gazeta Mercantil* on April 10 of the current year.

The Chairman then put the Report of Management and the Financial Statements relating to the year ended December 31, 2005 and the respective complementary documents to the vote, and they were approved.

Considering the business of the meeting, the Chairman requested the Secretary to read the Proposal of the Board of Directors, relating to items 2 and 3 of the agenda, and also the Opinion of the Audit Board thereon, the contents of which documents are as follows:

**“PROPOSAL OF THE BOARD OF DIRECTORS TO THE GENERAL MEETING OF STOCKHOLDERS TO BE HELD BY APRIL 30, 2006.**

To the stockholder Companhia Energética de Minas Gerais: The Board of Directors of Cemig Distribuição S.A., in accordance with Article 192 of Law 6404 of December 15, 1976 as amended, and the Bylaws, and considering the financial statements for the year 2005, presenting net profit of R\$ 990,129,000, hereby proposes to you that the net profit for the year 2005, in the amount indicated should be allocated as follows: 1- R\$ 49,506,000, being 5% of the net profit, be allocated to the Legal Reserve, in accordance with sub-item “a” of the sole subparagraph of Clause 21 of the Bylaws. 2- R\$ 940,623,000 be allocated to payment of dividends, as follows: 2.1) R\$ 220,544,000 as Interest on Equity, under the following Board decisions (CRCAs): R\$ 107,000,000, by CRCA-035/2005 of June 30, 2005; R\$ 75,000,000, by CRCA-057/2005 of October 28, 2005; and R\$ 38,544,000, by CRCA-072/2005 of December 22, 2005; 2.2) R\$ 720,079,000 as complementary dividends.

The payment of the dividends and Interest on Equity shall be made in two equal installments, by June 30 and December 30, 2006. The payments of these installments may be brought forward, according to availability of cash at the decision of the Executive Board.

Appendix 1 summarizes the Cash Budget for 2006 of Cemig Distribuição S.A. for the business year 2006, approved by the Board of Directors, showing inflow of funds and disbursements for compliance with the allocation of the profit for the year.

Appendix 2 summarizes the calculation of dividends proposed by the Management, in accordance with the Bylaws.

As can be seen, this proposal aims to serve the legitimate interests of the stockholders and the Company, for which reason the Board of Directors hopes that, after hearing the position of the Audit Board, it be approved by yourselves.

Signed at Belo Horizonte, on March 8, 2006 by: Wilson Nélio Brumer, Chairman, Djalma Bastos de Moraes, Vice-chairman, Aécio Ferreira da Cunha, Alexandre Heringer Lisboa, Andréa Paula Fernandes Pansa, Antônio Luiz Barros de Salles, Carlos Augusto Leite Brandão, Francelino Pereira dos Santos, Haroldo Guimarães Brasil, José Augusto Pimentel Pessôa, Maria Estela Kubitschek Lopes, Francisco Sales Dias Horta and Guy Maria Villela Paschoal, Members of the Board.

**APPENDIX 1 TO THE PROPOSAL BY THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING OF STOCKHOLDERS TO BE HELD BY APRIL 30, 2006.**

2006 CASH BUDGET (\*) - Cemig Distribuição S.A. – Amounts in current R\$ '000: Description Total 2006 (\*)

		AV %
A – Initial balance	522,236 –	
B - Funds	10,578,653	100.0
Funds raised	9,704,488	91.7
Financings/assistance	874,135	8.3
C - Disbursements	10,718,718	100.0
Capital investment program	1,268,546	11.8
Expenses budget	4,659,960	43.5
Expenses	2,011,506	18.8
Energy purchased	2,114,213	19.7
Transport of power	534,241	5.0
Taxes	3,345,599	31.2
Debt servicing	503,990	4.7
Dividends and Interest on Equity	940,623	8.8
D – Final balance (A+B-C)	382,171	

(\*) Approval under CRCA-078/2005 of December 22, 2005, with the following adjustments:

Replacement of the initial cash balance by the actual amount at December 31, 2005.

Replacement of Dividends/Interest on Equity by the amount of the proposal for payments of dividends to stockholders.

**APPENDIX 2 TO THE PROPOSAL OF THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING TO BE HELD BY APRIL 30, 2006.**

CALCULATION OF THE PROPOSED DIVIDENDS - CEMIG DISTRIBUIÇÃO S.A. December 31, 2005 R\$ '000

Obligatory dividends

Net profit for the year	990,129
Obligatory dividend – 50.00% of the net profit	495,065
Dividends proposed-	
Interest on Equity	220,544
Complementary dividends	720,079
Total	940,623
Dividends per thousand shares	R\$:
Dividends under the Bylaws	218,86
Dividends proposed	415,83"

"OPINION OF THE AUDIT BOARD - The members of the Audit Board of Cemig Distribuição S.A., undersigned, in performance of their functions under the law and the Bylaws, have examined the proposal of the Board of Directors for the allocation of the net profit for the year of 2005, in the amount of R\$ 990,129,000 as follows:

1- R\$ 49,506,000 being 5% of the net profit, be allocated to the Legal Reserve, in accordance with sub-item "a" of the sole sub-paragraph of Clause 21 of the Bylaws. 2- R\$ 940,623,000 be allocated to payment of dividends, as follows:

2.1) R\$ 220,544,000 as Interest on Equity, under the following Board decisions (CRCAs): R\$ 107,000,000, by CRCA-035/2005 of June 30, 2005; R\$ 75,000,000, by CRCA-057/2005 of October 28, 2005; and R\$ 38,544,000, by CRCA-072/2005 of December 22, 2005;

2.2) R\$ 720,079,000 as complementary dividends.

The payment of the dividends and Interest on Equity shall be made in two equal installments, by June 30 and December 30, 2006. The payments of the said installments may be brought forward, in accordance with availability of cash and at the decision of the Executive Board.

Having carefully analyzed the said proposal and taking into account, further, that the legal rules relating to the matter have been obeyed, and also the joint interests of Cemig and its stockholders, the Members of the Audit Board are of the opinion in favor of their approval by the Ordinary General Meeting of Stockholders to be held by April 30, 2006.

Signed at Belo Horizonte on March 8, 2006 by Thales de Souza Ramos Filho, Itamaury Teles de Oliveira, Luiz Guaritá Neto, Aristóteles Luiz Menezes Vasconcellos Drummond and Luiz Otávio Nunes West."

The Chairman then put to debate the proposal of the Board of Directors relating to items 2 and 3 of the agenda, adding the information that as from the date of this meeting amounts relating to the equivalent of 5% (five per cent) of the net profit for the year will be managed, through an account monitored by the financial department of the company, with a view to serving projects of social interest. Requesting the floor, the representative of the stockholder Companhia Energética de Minas Gerais-CEMIG proposed small alterations in Appendix 1 to the Proposal of the Board of Directors to this Ordinary General Meeting, to adjust the information therein cited to the decision of the Board of Directors of the company at its meeting on December 21, 2005, the content of which Appendix is as follows:

**APPENDIX 1 TO THE PROPOSAL BY THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING OF STOCKHOLDERS TO BE HELD BY APRIL 30, 2006.**

2006 CASH BUDGET (\*) - Cemig Distribuição S.A. – Amounts in current R\$ '000:

Description	Total 2006 (*)	AV %
A – Initial balance	522,236	
B - Funds	10,578,653	100.0
Funds raised	9,704,488	91.7
Financings/assistance	874,135	8.3
C - Disbursements	10,718,718	100.0
Capital investment program	1,268,546	11.8
Expenses budget	4,659,960	43.5
Expenses	2,011,506	18.8
Energy purchased	2,114,213	19.7
Transport of power	534,241	5.0
Taxes	3,345,599	31.2
Debt servicing	503,990	4.7
Dividends and Interest on Equity	940,623	8.8
D – Final balance (A+B-C)	415,171	

(\*) Approval under CRCA-078/2005 of December 22, 2005, with the following adjustments:

Replacement of the initial cash balance by the actual amount at December 31, 2005.

Replacement of Dividends/Interest on Equity by the amount of the proposal for payments of dividends to stockholders."

The above mentioned Proposal of the Board of Directors referring to items 2 and 3 of the agenda was put to the vote with the changes requested by the representative of the stockholder Companhia Energética de Minas Gerais – Cemig, and was approved.

Continuing with the business of the meeting, the Chairman informed the meeting that it was now necessary to decide on changes to the Board of Directors of Cemig D, considering:

- 1) that, in accordance with the sole sub-paragraph of Clause 8 of the Bylaws, the Members of the Board of Directors of this company are, obligatorily, the same Members of the Board of Directors of the sole stockholder, Companhia Energética de Minas Gerais – Cemig;
- 2) the resignation of the Substitute Board Member Francisco Sales Dias Horta, on March 31, 2006, as per a letter in the possession of the company; and
- 3) that, as a result of the ending of the period of office of the Members of the Board of Directors of Companhia Energética de Minas Gerais – Cemig, appointment of new sitting and substitute Members of this Board of that company had been approved at the Ordinary General Meeting of Stockholders held today, at 2.30pm.

This being so, the representative of the stockholder Companhia Energética de Minas Gerais made the following proposal for the composition of the Board of Directors:

1- dismissal of the following Board members:

Sitting Members: José Luiz Alquéres and Antônio Luiz Barros de Salles;

Substitute Members: Guy Maria Villela Paschoal, Fernando Teixeira Mendes Filho and Rodrigo Bhering Andrade;

2- moving of the Board Member Evandro Veiga Negrão de Lima – Brazilian, married, businessman, resident and domiciled in Belo Horizonte, MG at Av. Otacilio Negrão de Lima, 5219, district of Pampulha, CEP 31365-450, bearer of Identity Card M-1342795, issued by the Public Safety Department of the State of Minas Gerais, and of CPF 000761126-91, **from** Substitute Member to Board Member José Augusto Pimentel Pessôa, **to** Sitting Member, his substitute being Board Member Andréa Leandro Silva;

3- election of Mr. Lauro Sérgio Vasconcelos David – Brazilian, married, company manager, resident and domiciled in Belo Horizonte, MG at Rua Cruz Alta, 107/302, district of João Pinheiro, CEP 30530-150, bearer of Identity Card M-3373627, issued by the Public Safety Department of the State of Minas Gerais and CPF 603695316-04, as Substitute Member to the Board Member Antônio Adriano Silva;

4- election of Mr. Wilton de Medeiros Daher – Brazilian, married, bank employee and economist, resident and domiciled in Fortaleza, Ceará at Rua Barbosa de Freitas, 200/1700, Meireles, CEP 60170-020, bearer of Identity Card 823372, issued by the Public Safety Department of the Federal District, and CPF 003534344-34, to Sitting Member, having as his Substitute Member Mr. Luiz Aníbal de Lima Fernandes – Brazilian, married, engineer, resident and domiciled at Belo Horizonte, MG, at Rua Felipe dos Santos, 365/1100, Lourdes, CEP 30180-160, bearer of Identity Card MG129330, issued by the Public Safety Office of the State of Minas Gerais, and CPF 006380806-49;

5- election of: Eduardo Leite Hoffmann – Brazilian, married, consultant, resident and domiciled in São Paulo, SP, at Rua Diogo Jácome 685/93, Vila Nova Conceição, CEP 04512-001, bearer of Identity Card 9859952, issued by the Public Safety Department of São Paulo, and CPF 016941148-64; Maria Amália Delfim de Melo Coutrim, Brazilian, married, economist, resident and domiciled at Rio de Janeiro, RJ, at Av. Rui Barbosa, 582/12<sup>th</sup> Floor, Flamengo, CEP 22250-020, bearer of Identity Card M- 12944, issued by the Corecon of the State of Rio de Janeiro, and CPF 654298507- 72; and, Eduardo Castilho de Vasconcelos Costa, Brazilian, single, engineer, resident and domiciled at Belo Horizonte, MG, at Rua Inglaterra 661, Copacabana, CEP 31540-360, bearer of Identity Card M-5586589, issued by the Public Safety Department of the State of Minas Gerais, and CPF 905090306-10, as Substitute Members for the Board Members Carlos Augusto Leite Brandão, Andréa Paula Fernandes Pansa and José Augusto Pimentel Pessôa, respectively; and

6- that the above mentioned elections shall be for the time of office remaining to the other Board Members currently in office, that is to say, up to December 13, 2007. The proposal by the representative of the stockholder Companhia Energética de Minas Gerais – Cemig above mentioned was put to the vote and approved.

The Chairman then explained that Companhia Energética de Minas Gerais will assign, to each new member of the Board of Directors, as its fiduciary agent, one single share owned by itself, for the period for which such members remain as members of the Board of this company, solely and exclusively to comply with the requirement that the members of the Board of Directors must be shareholders of the company. Finally, he said that, once the Board Members had completed their period of office or if they were dismissed from their

positions, the shares granted to them shall be automatically transferred back to Cemig, without there being any need whatsoever for signature by the Board Members in question.

The fiduciary nature of the assignment of the shares is based on the legal principle that determines that a person who receives an asset, in this case, the share, has the commitment to reconstitute it in a certain event, in this case, the end of the term of office, or leaving office, or being dismissed from it.

The Board Members stated – in advance – that they are not subject to any prohibition on the exercise of commercial activity, that they do not occupy a position in a company which can be considered a competitor of the company, that they do not have any interest conflicting with that of Cemig D, and that they undertake the solemn commitment to comply with the principles of the Code of Ethics of the State of Minas Gerais.

The Chairman then explained that the Board of Directors is now as follows:

**Sitting Members:**

Wilson Nélio Brumer, Djalma Bastos de Moraes, Aécio Ferreira da Cunha, Alexandre Heringer Lisboa, Antônio Adriano Silva, Francelino Pereira dos Santos, Maria Estela Kubitschek Lopes, Nilo Barroso Neto, Wilton de Medeiros Daher, Carlos Augusto Leite Brandão, Andréa Paula Fernandes Pansa, Evandro Veiga Negrão de Lima, José Augusto Pimentel Pessoa and Haroldo Guimarães Brasil;

**Substitute Members:**

Fernando Lage de Melo, Luiz Antônio Athayde Vasconcelos, Eduardo Lery Vieira, Franklin Moreira Gonçalves, Lauro Sérgio Vasconcelos David, Marco Antônio Rodrigues da Cunha, Luiz Henrique de Castro Carvalho, Guilherme Horta Gonçalves Júnior, Luiz Aníbal de Lima Fernandes, Eduardo Leite Hoffmann, Maria Amália Delfim de Melo Coutrim, Andréa Leandro Silva, Eduardo Castilho Vasconcellos Costa and Antônio Renato do Nascimento, respectively.

Continuing the business of the meeting, the Chairman moved on to Item 5 of the agenda, explaining that the period of office of the sitting and substitute members of the Audit Board terminates with the present Meeting, and thus a new election must be held to create that Board, with a period of office of 1 (one) year, that is to say, up to the Ordinary General Meeting to be held in 2007.

The Chairman explained that, under Clause 18 of the Bylaws, the sitting members and the respective substitute members of the Audit Board of this company are the members of the Audit Board of the sole stockholder, Companhia Energética de Minas Gerais. This being so, the representative of Companhia Energética de Minas Gerais proposed the following names to constitute the Audit Board:

**Sitting members:**

Ari Barcelos da Silva, Brazilian, married, company manager, resident and domiciled at Rio de Janeiro, RJ, at Rua Professor Hermes Lima 735/302, Recreio dos Bandeirantes, CEP 22795-061, bearer of Identity Card 2027107-7, issued by the CRA-RJ, and CPF 006124137-72; Luiz Otávio Nunes West, Brazilian, married, accountant, resident and domiciled in Rio de Janeiro, RJ, at Rua General Ivan Raposo 148/202, Barra da Tijuca, CEP 22621-040, bearer of Identity Card 010926/0-8, issued by the Regional Accounting Council of Bahia, and CPF 146745485-00; Luiz Guaritá Neto, Brazilian, married, engineer and business man, resident and domiciled in Uberaba, MG, at Rua dos Andradas 705/1501, Nossa Senhora da Abadia, CEP 38025-200, bearer of Identity Card M-324134, issued by the Public Safety Department of the State of Minas Gerais and CPF 289118816-00; Aristóteles Luiz Menezes Vasconcellos Drummond, Brazilian, married, journalist, resident and domiciled in Rio de Janeiro, RJ, at Av. Rui Barbosa 460/801, Flamengo, CEP 22250-020, bearer of identity Card 1842888, issued by the Felix Pacheco Institute of Rio de Janeiro, and CPF 026939257-20; and, Thales de Souza Ramos Filho, Brazilian, married, doctor, resident and domiciled in Juiz de Fora, MG, at Rua Severino Meireles 67, Passos, CEP 36025-040, bearer of Identity Card M-290728, issued by the Public Safety Department of the State of Minas Gerais, and CPF 003734436-68;

**Substitute members:**

Carlos Volpe de Paiva, Brazilian, married, engineer, resident and domiciled in Belo Horizonte, MG, at Rua Tomé de Souza 1225/2001, district of Funcionários, CEP 30140-131, bearer of Identity Card 2024D, issued by CREA, RJ, and CPF 086834337-49; Augusto Cesar Calazans Lopes, Brazilian, married, accountant, resident and domiciled in Rio de Janeiro, RJ, at Rua Bambina 17/804, Botafogo, CEP 22251-050, bearer of Identity Card 097524730, issued by Institute Felix Pacheco do Rio de Janeiro, and CPF 042980307-92; Ronald Gastão Andrade Reis, Brazilian, married, company manager, resident and domiciled in Rio de Janeiro, RJ, at Rua Almirante Guilhem 332/701, Leblon, CEP 22440-000, bearer of Identity Card M-104612, issued by the Public Safety Department of the State of Minas Gerais, and CPF 007237036-04; Marcus Eolo de Lamounier Bicalho, Brazilian, married, economist, resident and domiciled in Belo Horizonte, MG, at Rua Adolfo Radice 114, Mangabeiras, CEP 30315-050, bearer of identity card M-1033867, issued by the Public Safety Department of the State of Minas Gerais, and CPF 001909696-87; and Aliomar Silva Lima, Brazilian, married, economist, resident and domiciled in Belo Horizonte, MG, at Rua Timbiras 2505/902, Funcionários, CEP 30140-061, bearer

of Identity Card MG-449262, issued by the Public Safety Department of the State of Minas Gerais, and CPF 131654456-72, respectively.

The nominations of the representative of Companhia Energética de Minas Gerais for members of the Audit Board were put to debate, and to the vote, and approved.

The Board Members elected stated – in advance – that they are not subject to any prohibition on the exercise of commercial activity and made a solemn undertaking to obey the principles of the Code of Ethics of the State of Minas Gerais.

The Chairman then informed the Meeting that the publications of the company, specified by Law 6404 of December 15, 1976 as amended, and CVM Instruction 232, of February 10, 1995, will be made not only in *Minas Gerais*, the official journal of the powers of the State, but also in the newspapers *O Tempo* and *Gazeta Mercantil*, without prejudice to any publication in other journals.

The meeting was opened to the floor and since no one wished to speak, the Chairman ordered the Meeting to be suspended for the time necessary for these Minutes to be prepared. The Meeting being reopened, the Chairman, after putting the said Minutes to debate and submitting them to the vote, and their being approved and signed, declared the meeting closed.

For the record I, Anamaria Pugedo Frade Barros, Secretary, wrote these Minutes and sign jointly with those present.

### Meeting of the Board of Directors held on June 29, 2006

Summary of business transacted:

A – The Board approved:

- 1) The Report for Management and the Financial Statements for the first quarter of 2006; and
- 2) The Minutes of this meeting.

B – The Board authorized:

1) Issue of short-term notes (promissory notes or "commercial papers") for placement and public distribution in the local capital market, under CVM Instructions 134/90, 155/91, 400/03 and 429/06, subject to the following characteristics:

Issuer: Cemig Distribuição S.A;  
Amount of issue: R\$ 300 million;  
Number of series: The issue will be made in a single series;  
Tenor and maturity: The securities will be issued on the date of their subscription and paying up and will have tenor of 90 days;  
Placement regime: Firm guarantee;  
Nominal unit value: Ten million Reais on the date of their issue;  
Number of Notes: 30;  
Form: The securities shall be issued in physical form and shall be deposited at an institution qualified to provide custody services;

Remuneration (financial cost to the Issuer): Remuneratory interest at the rate of 103 times the average daily rate for interbank deposits known as "Taxa DI over extra grupo", expressed in the percentage form per year, on the basis of 252 two business days, calculated and published daily by Cetip in the daily bulletin available on its internet page (<http://www.cetip.com.br>) ("the DI rate" and "the Remuneration") shall accrue on the nominal unit value of the promissory notes. The remuneration shall be calculated in exponential and cumulative form "pro rata tempore" per business day, upon the nominal unit value of each promissory note, from the date of issue up to the respective date of maturity;

Payment: Remuneration and principal on maturity;

Optional early redemption: The Issuer may effect early redemption of the promissory notes if there is express agreement from their holders, under the applicable legislation. In the event of partial early redemption this shall take place by lottery draw, in accordance with § 1 of Article 55 of Law 6404/1976;

Guarantee: Given by CEMIG;

Place of payment: In accordance with procedures of the Settlement and Custody Chamber (Cetip) for Promissory Notes registered in the Promissory Notes System, operated by Cetip, or for the holders of promissory notes not linked to the said system, at the Company's head office;

Proof of limits: The first Issue is not required to obey the limits specified in Articles 3 and 4 of CVM Instruction 134/1990, under the exemption given by Article 1, sub-item III, of CVM Instruction 155/1991;



- Early maturity: The holders of the promissory notes may declare automatic early maturity of all the obligations arising from the promissory notes that they hold and require immediate payment by the Issuer of the nominal unit value of the promissory notes plus the remuneration and the charges, calculated "pro rata tempore", from the issue date, by a letter with recorded delivery or letter with advice of receipt addressed to the Head Office of the Issuer, in any of the following events:
- (i) declaration of bankruptcy of the Issuer and/or of the guarantor; or dissolution and/or liquidation of the Issuer and/or guarantor; or application for judicial or out of Court recovery or bankruptcy made by the Issuer and/or guarantor; or any analogous event which characterizes a state of insolvency, including an agreement with creditors, under the applicable legislation;
  - (ii) legitimate and reiterated protest of securities against the Issuer with individual aggregate value unpaid of more than fifty million Reais, unless the protest has been made in error or bad faith by third parties, validly proven by the Issuer, or if cancelled or if validly contested in Court, in any event, within 30 calendar days from the date of maturity of the obligation;
  - (iii) early maturity of any pecuniary obligation of the Issuer and/or the guarantor, arising from default on an obligation to pay any individual or aggregate amount more than fifty million Reais;
  - (iv) change, transfer or assignment, direct or indirect, of the stockholding control of the Issuer and/or the guarantor, unless by legal order, without the prior agreement of the holders;
  - (v) absorption of the Issuer by another company, split or merger of the Issuer and/or the guarantor, unless by legal order;
  - (vi) privatization of the Issuer and/or the guarantor;
  - (vii) termination for any reason of any of the concession contracts held by the Issuer and/or guarantor; or
  - (viii) unjustified default by the Issuer and/or guarantor or absence of legal and/or Court measures required for the non-payment of any debt or for any obligation to pay, under any agreement of which they may be part as lender or guarantor, the individual or aggregate amount of which is greater than fifty million Reais;
- Expenses: Publications, announcements of opening and closing, and bid rate, fee for registry of the issue at the CVM, fee for registry for trading on an over-the-counter market (Cetip Note), with total cost estimated at R\$ 300,000 and expenses with the mandated bank in the amount of R\$ 2,400;
- 2) Contracting of BB Banco de Investimento S.A. for structuring and placement of the promissory notes ("commercial papers"), without additional costs to the company and the contracting of Banco do Brasil S.A. for provision of the service of mandated bank, at the cost of two thousand four hundred Reais;
- 3) Contracting of a loan, through Bank Credit Notes and/or Working Capital facility from Banco do Brasil S.A., for refinancing of the promissory notes ("commercial papers"), on the following principal values:
- Amount: R\$ 300 million;
- Total period: Eight years;
- Amortization of the principal: in three equal and consecutive installments (in 2012, 2013 and 2014);
- Payment of interest: Six-monthly, including during the grace period;
- Financial cost: 104.1% of the CDI on the outstanding balance plus IOC of 1.5% on the amount of the transaction paid in advance of the date of disbursement, limited to the first year of the operations, according to the current legislation;
- Guarantee: Corporate guarantee from CEMIG (holding company) on all the instruments to be signed;
- Syndication: Banco do Brasil S.A. may at its option decide to syndicate, through inclusion of new partners for the commercial lending operation;
- 4) The signing of all the legal instruments necessary for effecting the incisions mentioned in items 1, 2 and 3 of sub-item B above;
- 5) Celebration of the term of technical co-operation with the State Public Attorney's Office, represented by the General Attorney of Justice, the Executive Agent Body of the present agreement being the Consumer Defense Secretariat (Procon) of Minas Gerais for provision of a solution of the problems presented by consumers, consisting of the establishment of an exclusive direct telephone communication channel between the Consumer Defense Bodies (Procons) and Cemig D, to be made by the service known as 0800, in effect for 60 months, from the date of signature, without financial disbursement; and
- 6) Signing of the first Amendment to the Technical and Scientific Co-operation Agreement signed with the Strategic (CGET), with a view to inclusion of the work plan of the CGET, changing its functions and forward payment, adaptation to Normative Instruction 07/2003 of the Audit Board of the State of Minas Gerais and exclusion of two of the company's projects.
- C – The following matters were withdrawn from the agenda:

Contracting of modeling of this site for services within the company's premises to provide services of production of documents, including printing and copying, finishing, layout, editing, digitalization, workflow system, services portal and communication plan were withdrawn from the agenda;  
signing of the contract for construction of the final diversion of the São João Del Rei 1- Conselheiro Lafaiete transmission line, between structures 4A and 7A, with the State Transport and Public Works Office (SETOP);  
and  
contracting of services of construction, maintenance, disconnection and reconnection of consumer units, installation/replacement of aerial electricity lines, tree pruning, mapping and registering and projects and topography.

D – The Board re-ratified CRCA 002/2006, changing item 1, sub-items (iii), (iv), (vii), (viii), and (xiv), respectively being date of issue, period and date of maturity, nominal unit value, amount of the issue and payments, as specified for the first issue of the company's non-convertible debentures, in such a way as to reflect the payment of interest of the debentures of the third issue of CEMIG taking place on June 1, 2006, as follows:

- (iii) Date of issue: for all purposes and effects, shall be June 1, 2006;
- (iv) Period and date of maturity: the period of maturity shall be 96 months from the date of issue, with final maturity scheduled for the first business day of June 2014, on which occasion the company will liquidate any debentures that are still in circulation, for their nominal unit value, plus the due remuneration;
- (vii) Nominal unit value: ten thousand eight hundred and seventy one point six zero four eight Reais, on the issue date;
- (viii) Amount of the issue: two hundred and fifty million, five hundred and three thousand, five hundred and seventeen Reais and eighty centavos, on the issue date;
- (xiv) Payments: the interest shall be demandable annually, and the first payment shall be made 12 months after the date of issue, that is to say on the first business day of June 2007, and the other payments of interest shall take place on the first business day of June of the following years, calculated on a compound capitalization regime "pro rata temporis" for business days. The payment of the updated nominal unit value of the debentures shall take place on the date of their final maturity, that is to say June 1, 2014. The other provisions of that CRCA remain unchanged and are, consequently, ratified.

E – The following made comments on general matters and business of interest to the company: The Vice-chairman; Board Members Andréa Paula Fernandes Pansa, Carlos Augusto Leite Brandão, Evandro Veiga Negrão de Lima, Haroldo Guimarães Brasil, José Augusto Pimentel Pessôa and Wilton de Medeiros Daher; the Chief Officer Flávio Decat de Moura; the Superintendent Pedro Carlos Hosken Vieira; and the Manager Paulo Eduardo Pereira Guimarães.

The following were present: Board Members Wilson Nélio Brumer, Djalma Bastos de Moraes, Andréa Paula Fernandes Pansa, Alexandre Heringer Lisboa, Antônio Adriano Silva, Carlos Augusto Leite Brandão, Evandro Veiga Negrão de Lima, Francelino Pereira dos Santos, Haroldo Guimarães Brasil, José Augusto Pimentel Pessôa, Nilo Barroso Neto, Wilton de Medeiros Daher, Eduardo Lery Vieira, Luiz Henrique de Castro Carvalho, Fernando Lage de Melo and Lauro Sérgio Vasconcelos David; Marcus Eolo de Lamounier Bicalho, Member of the Audit Board; Flávio Decat de Moura, Chief Officer, Pedro Carlos Hosken Vieira, Superintendent; Paulo Eduardo Pereira Guimarães, Manager; and Anamaria Pugedo Frade Barros, Secretary.

#### **Meeting of the Board of Directors held on August 30, 2006**

Summary of business:

I- The Board approved:

- a) Payment of Interest on Equity, on account of the minimum obligatory dividend, in the amount of sixty million, four hundred and fifty four thousand Reais, in two equal installments by June 30 and December 30, 2007, to stockholders whose names are on the Nominal Share Registry on August 30, 2006, the Executive Board being responsible for deciding actual dates, and places and methods of payment;
- b) the minutes of this meeting.

II- The following made comments on general matters and business of interest to the company: The Vice-chairman, and the Board members Andréa Paula Fernandes Pansa, Carlos Augusto Leite Brandão, Evandro Veiga Negrão de Lima, Haroldo Guimarães Brasil and José Augusto Pimentel Pessôa.

The following were present: Board members Wilson Nélio Brumer, Djalma Bastos de Moraes, Aécio Ferreira da Cunha, Andréa Paula Fernandes Pansa, Alexandre Heringer Lisboa, Carlos Augusto Leite Brandão, Evandro Veiga Negrão de Lima, Francelino Pereira dos Santos, Haroldo Guimarães Brasil, José Augusto Pimentel Pessôa, Nilo Barroso Neto, Wilton de Medeiros Daher, Luiz Henrique de Castro Carvalho, Lauro Sérgio Vasconcelos David and Fernando Lage de Melo; Marcus Eolo de Lamounier Bicalho, Member of the Audit Board; and Anamaria Pugedo Frade Barros, Secretary.

**Meeting of the Board of Directors held on September 28, 2006**

At its meeting held on September 28, 2006, the Board of Directors of Cemig Distribuição S.A. made the following decisions:

1. To authorize contracting of services to refurbish electricity meters.
2. To authorize contracting of services to read meters recording consumption in kWh, of Group B, through micro- data collectors.
3. To authorize signing of a service contract with Gasmig for works relating to study of mitigation of electromagnetic interference occurring in the gas pipeline of the natural gas distribution network of the Vale do Aço complex, with the Lafaiete 1-Saramenha transmission line and the Lafaiete 1-Açominas transmission line.
4. To authorize signing of a service contract with Gasmig for works relating to study of mitigation of electromagnetic interference occurring in the São José branch of the Lapa-Sete Lagôas gas pipeline.
5. To authorize assignment and transfer of credits made to the account of Cemig D of deposits arising from its own revenue, up to the limit sufficient for payment of the installments and other charges arising from the Loan Agreement signed between Cemig and Kreditanstalt für Wiederaufbau (KfW) and the Debt Acceptance Agreement signed between Cemig and the Brazilian federal government.
6. To approve the Medium and Low Voltage Networks Operation, Maintenance and Remodeling Project for 2006; the Consumer Unit Inspection and Measurement Program; the Program to Strengthen the Rural Network in 2006; the 2006 Complementary Works Expansion Program; the Reluz II Program; and the Clarear Program for 2006.

**Meeting of the Board of Directors held on October 24, 2006**

At its meeting on October 24, 2006 the Board of Directors of Cemig Distribuição S.A. decided as follows:

- 1- To authorize the signing, with the Telemar Norte Leste S.A. consortium and CTBC Telecom, of a term of amendment to the contract for provision of Free Direct Dialing (DDG) Telephone Services.
- 2- To approve the revision of the Reluz II program, and to authorize the contracting of financing with Eletrobrás.
- 3- To authorize the signing, with Cemig GT, of a contract for connection to the distribution system.
- 4- To authorize the signing of a contract, with Cemig GT and Gasmig, for provision of services to mitigate electromagnetic interference between the Regap-Cinco branch gas pipeline, the Betim 4-Cinco electricity transmission line and the Barreiro – Neves 1 electricity transmission line.
- 5- To delegate, to the Executive Officers, powers to sign contracts for the use of the distribution system, for retail supply of electricity and reserve of demand for captive consumers, for use of the transmission system with the ONS, for connection to the distribution system, for sharing of distribution infrastructure and for terms of agreement.
- 6- To authorize signature, with Copasa, of a term of permission to carry out the project for removal and installation of posts.
- 7- To extend the period of validity of the contracts currently in force for services of construction, maintenance of distribution networks, disconnection/connection of consumer units, installation/substitution of branches of the above-ground conductor network; submitting to a further meeting of the Board of Directors the decision on contracting of new services of construction, maintenance of distribution networks, disconnection/connection of consumer units, installation/substitution of branches of the above-ground conductor network, tree pruning, mapping, client registry, planning and topography.

**Meeting of the Board of Directors held on November 23, 2006**

At its meeting held on November 23, 2006, the Board of Directors of Cemig Distribuição S.A. decided to authorize the issuance of promissory notes ("commercial paper") for placement and public distribution in the local capital market; and to contract Banco Citibank S.A. as Lead Manager of this Issue.

**Meeting of the Board of Directors held on November 30, 2006**

The Board of Directors of Cemig Distribuição S.A. decided as follows:

1. Timetable of planned meetings of the Board of Directors for 2007. Approved.
2. Payment of Interest on Equity. Approved.
3. Signature of contracts for use of the distribution system, connection to the distribution system and constitution of guarantees with the Capim Branco Energia Consortium and Cemig. Approved.
4. Signing of agreement for technical and financial cooperation for execution of works of illumination linked to the Linha Verde program, with the Transport and Public Works Secretariat, the Planning and Management Secretariat and the Highways Department. Approved.
5. Contracting of corporate digital mobile phone services. Approved.
6. Contracting of advertising services. Approved.
7. Contracting of maintenance and support services for SAP R/3 / MYSAP products. Approved.

8. Joint contracting of services of construction, maintenance of the distribution networks, connection and disconnection of consumer units, installation and replacement of aerial cables, tree pruning, mapping and registry, planning and topography services. Approved.

**Meeting of the Board of Directors held on December 14, 2006**

The meeting of the Board of Directors of Cemig Distribuição S.A. held on December 14, 2006 decided as follows:

1. Signing of amendment to performance contract with Efficientia S.A., Companhia Siderúrgica Pitangui S.A. and Rio Rancho Agropecuária S.A.
2. Signing of technical cooperation agreement with the Procon – Consumer Defense Organization – of the state.
3. Signing of contract for use of the distribution system and of amendment with Cemig GT and CVRD (Companhia Vale do Rio Doce) for the Funil Hydroelectric power plant.
4. Signing of contract for connection to the transmission system with Cemig GT.
5. Delegation of powers to enter into contracts for retail supply of electricity and reserve of demand, use of the distribution system, use of the transmission system with the ONS, connection to the distribution system, sharing of distribution infrastructure and agreements for execution of works in the electricity distribution system.
6. Signing of amendment to Agreement No. CRT/DE/13000/2002 with INCRA (National Land Occupation and Land Reform Agency).
7. Signing of amendment to Agreement No. CRT/MG/10000/2001 with INCRA (National Land Occupation and Land Reform Agency).
8. Signing of amendment to the financing contract with Eletrobrás in relation to the Reluz project.
9. Acquisition of material.

**Meeting of the Board of Directors held on December 21, 2006**

At its meeting held on December 21, 2006, the Board of Directors of Cemig Distribuição S.A. decided to authorize the following:

1. Payment of interest on equity.
2. Budget proposal for 2007.
3. Project for implementation of a new sales management system, with re-ratification of CRCA.

**Meeting of the Board of Directors held on January 9, 2007**

Summary of business:

I – The Chairman stated that in the 401st meeting of the Board of Directors of CEMIG held on January 9, 2007, Mr. Fernando Henrique Schuffner Neto, José Carlos de Mattos, Luiz Fernando Rolla and Marco Antonio Rodrigues da Cunha were elected Chief Officers. Hence, and in view of the sole sub-paragraph of Clause 14 of the Bylaws, it was necessary to make changes in the Executive Board of Cemig D.

II – The Board approved:

A – The proposal of the Chairman:

1) To dismiss the Director without Specific Designation, Elmar de Oliveira Santana; the Finance, Holdings and Investor Relations Director Flávio Decat de Moura; the Planning, Projects and Construction Director Celso Ferreira; and the Corporate Management Director Heleni de Mello Fonseca; and

2) To elect the following names to complete the posts in the Executive Board of the company, to serve for a period of office of three years beginning on September 8, 2004, that is to say up to September 8, 2007:

As Director without specific denomination: Fernando Henrique Schuffner Neto, Brazilian, married, engineer, resident and domiciled in Belo Horizonte, MG at Rua Martim de Carvalho 395/700, Santo Agostinho, CEP 30190-090, Identity Card M1311632- SSPMG and CPF 320008396-49;

As Chief Planning, Projects and Construction Officer: José Carlos de Mattos, Brazilian, married, Professor, resident and domiciled in Belo Horizonte-MG, at Rua Professor Antônio Aleixo 82/1001, de Lourdes, CEP 30180-150, Identity Card M-170323- SSPMG and CPF 070853896-72;

As Chief Finance, Holdings and Investor Relations Officer: Luiz Fernando Rolla, Brazilian, married, engineer, resident and domiciled in Belo Horizonte-MG, at Rua Professor Carlos Pereira da Silva, 31, Belvedere, CEP 30320-330, Identity Card MG-1389219-SSPMG and CPF 195805686-34; and

As Chief Corporate Management, Officer: Marco Antonio Rodrigues da Cunha, Brazilian, married, engineer, resident and domiciled in Belo Horizonte-MG, at Rua Miguel Abras 33/501, Serra, CEP 30220-160, Identity Card M-281574-SSPMG and CPF 292581976-15;

B – The minutes of this meeting.

II – The Board Members Andréa Paula Fernandes Pansa, Carlos Augusto Leite Brandão, Evandro Veiga Negrão de Lima, Haroldo Guimarães Brasil and José Augusto Pimentel Pessoa voted against the proposal of the Chairman mentioned in item I, sub-item A above.

III – The Chairman requested that the new Executive Board should begin the process of formalization of creation of a Chief Trading Officer's Department, to be headed by Mr. Bernardo Afonso Salomão de Alvarenga.

IV – The Directors appointed stated – in advance – that they are not subject to any prohibition on the exercise of commercial activity, that they do not occupy any position in a company which could be considered a competitor of the company, nor do they have nor represent a conflicting interest with that of Cemig D, and they assumed a solemn commitment to obey the principles of the Code of Ethics of the State of Minas Gerais.

V – The Chairman thanked the former Chief Officers Celso Ferreira, Elmar de Oliveira Santana, Flávio Decat de Moura and Heleni de Mello Fonseca, emphasizing the energetic and important work that they had provided to the company, at all times with loyalty, competence, dedication and efficiency.

VI – The Chairman then stated that the Executive Board was now constituted as follows:

CEO and Vice-chairman: Djalma Bastos de Moraes;

Director Without Specific Designation: Fernando Henrique Schuffner Neto;

Chief Planning, Projects and Construction Officer: José Carlos de Mattos;

Chief Finance, Holdings and Investor Relations Officer: Luiz Fernando Rolla;

Chief Corporate Management Officer: Marco Antonio Rodrigues da Cunha; and

Chief Distribution and Sales Officer: José Maria de Macedo.

VII – The following made comments on general matters and business of interest to the company: the Vice-chairman; and Board Members Andréa Paula Fernandes Pansa, Carlos Augusto Leite Brandão, Evandro Veiga Negrão de Lima, Haroldo Guimarães Brasil and José Augusto Pimentel Pessôa.

The following were present: Board Members Wilson Nélio Brumer, Djalma Bastos de Moraes, Aécio Ferreira da Cunha, Andréa Paula Fernandes Pansa, Antônio Adriano Silva, Alexandre Heringer Lisboa, Carlos Augusto Leite Brandão, Evandro Veiga Negrão de Lima, Francelino Pereira dos Santos, Haroldo Guimarães Brasil, José Augusto Pimentel Pessôa, Maria Estela Kubitschek Lopes, Nilo Barroso Neto, Wilton de Medeiros Daher, Fernando Lage de Melo and Eduardo Lery Vieira; and Anamaria Pugedo Frade Barros, Secretary.

#### **Meeting of the Board of Directors held on January 23, 2007**

At its meeting on January 23, 2007, the Board of Directors of CEMIG Distribuição S.A. approved the following matters:

1- To enter into a working agreement with the Minas Gerais State Council for Children's and Adolescent's Rights for passthrough to that Council of an amount arising from the donations to the Infancy and Adolescence Funds (FIAs) by the employees of Cemig, Cemig D and Cemig GT. Approved.

2- Delegation of powers to enter into contracts for use of the distribution system, retail supply of electricity and reserve of demand to captive consumers, use of the transmission system with the ONS, connection to the distribution system, sharing of distribution infrastructure and specific agreements. **Approved for 90 days.**

3- Signing of amendments to the Financing and Subvention Contract with Eletrobrás in relation to the 1st stage of the Light For Everyone program. Approved.

#### **Meeting of the Board of Directors held on February 8, 2007**

At its meeting held on February 8, 2007 the Board of Directors of Cemig Distribuição S.A. approved the following:

1 – Technical feasibility study for accounting registration of tax credits.

2 – Change to the number of the permission undertaking signed with Companhia de Saneamento de Minas Gerais - Copasa

3 – Project N° 1605/06 – Energy Efficiency Program – 2005-6 Cycle.

4 – Signing of working agreement with Cemig and the Municipality of Montes Claros.

## Unit prices / calculation

The amounts calculated reflect our interpretation of the issue deed and do not imply acceptance of any legal or financial commitment. The Unit Prices ("PU's") presented were calculated "at par", that is, on the updating and remuneration curve as established in the issue deed. Other market agents may present different values depending on the calculation method they adopt. If you have any queries about how the amounts presented here were calculated, please contact us for detailed explanation.

DATE	Unit Price CMGD11 CMGD-D11 R\$	NOMINAL VALUE (VNe) R\$	IGP-M Inflation index (NI <sub>n-1</sub> )	IGP-M Inflation index (NI <sub>n</sub> )	IGP-M Calendar days (dcp)	IGP-M Calendar days (dct)	IGP-M Factor to date Month	IGP-M Factor accumulated (C)	UPDATED NOMINAL VALUE (VNa) R\$	(rate)	INTEREST Business days last payment (DP)	Accumulated factor (Interest factor) 252	INTEREST R\$
01/06/2006	10,871.604800	10,871.60	335.921	337.185	0	21	1.00000000	1.00000000	10,871.604800	10.50%	0	1.000000000	0.000000
02/06/2006	10,879.780740	10,871.60	337.185	339.712	1	21	1.00035561	1.00035561	10,875.470900	10.50%	1	1.000396290	4.309840
03/06/2006	10,887.962754	10,871.60	337.185	339.712	2	21	1.00071134	1.00071135	10,879.338300	10.50%	2	1.000792737	8.624454
04/06/2006	10,887.962754	10,871.60	337.185	339.712	2	21	1.00071134	1.00071135	10,879.338300	10.50%	2	1.000792737	8.624454
05/06/2006	10,887.962754	10,871.60	337.185	339.712	2	21	1.00071134	1.00071135	10,879.338300	10.50%	2	1.000792737	8.624454
06/06/2006	10,896.150955	10,871.60	337.185	339.712	3	21	1.00106721	1.00106721	10,883.207100	10.50%	3	1.001189342	12.943855
07/06/2006	10,904.345225	10,871.60	337.185	339.712	4	21	1.00142319	1.00142319	10,887.077200	10.50%	4	1.001586103	17.268025
08/06/2006	10,912.545791	10,871.60	337.185	339.712	5	21	1.00177931	1.00177931	10,890.948800	10.50%	5	1.001983022	21.596991
09/06/2006	10,920.752443	10,871.60	337.185	339.712	6	21	1.00213555	1.00213555	10,894.821700	10.50%	6	1.002380098	25.930743
10/06/2006	10,928.965286	10,871.60	337.185	339.712	7	21	1.00249192	1.00249192	10,898.696000	10.50%	7	1.002777331	30.269286
11/06/2006	10,928.965286	10,871.60	337.185	339.712	7	21	1.00249192	1.00249192	10,898.696000	10.50%	7	1.002777331	30.269286
12/06/2006	10,928.965286	10,871.60	337.185	339.712	7	21	1.00249192	1.00249192	10,898.696000	10.50%	7	1.002777331	30.269286
13/06/2006	10,937.184334	10,871.60	337.185	339.712	8	21	1.00284841	1.00284842	10,902.571700	10.50%	8	1.003174722	34.612634
14/06/2006	10,945.409479	10,871.60	337.185	339.712	9	21	1.00320504	1.00320504	10,906.448700	10.50%	9	1.003572270	38.960779
15/06/2006	10,953.640937	10,871.60	337.185	339.712	10	21	1.00356178	1.00356179	10,910.327200	10.50%	10	1.003969976	43.313737
16/06/2006	10,953.640937	10,871.60	337.185	339.712	10	21	1.00356178	1.00356179	10,910.327200	10.50%	10	1.003969976	43.313737
17/06/2006	10,961.878498	10,871.60	337.185	339.712	11	21	1.00391866	1.00391867	10,914.207000	10.50%	11	1.004367839	47.671498
18/06/2006	10,961.878498	10,871.60	337.185	339.712	11	21	1.00391866	1.00391867	10,914.207000	10.50%	11	1.004367839	47.671498
19/06/2006	10,961.878498	10,871.60	337.185	339.712	11	21	1.00391866	1.00391867	10,914.207000	10.50%	11	1.004367839	47.671498
20/06/2006	10,970.122290	10,871.60	337.185	339.712	12	21	1.00427566	1.00427567	10,918.088200	10.50%	12	1.004765861	52.034090
21/06/2006	10,978.372182	10,871.60	337.185	339.712	13	21	1.00463279	1.00463279	10,921.970700	10.50%	13	1.005164039	56.401482
22/06/2006	10,986.628411	10,871.60	337.185	339.712	14	21	1.00499005	1.00499005	10,925.854700	10.50%	14	1.005562376	60.773711
23/06/2006	10,994.890759	10,871.60	337.185	339.712	15	21	1.00534743	1.00534743	10,929.740000	10.50%	15	1.005960870	65.150759
24/06/2006	11,003.159350	10,871.60	337.185	339.712	16	21	1.00570494	1.00570494	10,933.626700	10.50%	16	1.006359523	69.532650

DATE	Unit Price CMGD11 CMGD-D11 R\$	NOMINAL VALUE (VNe) R\$	IGP-M Inflation index (IN-1)	IGP-M Inflation index (IN)	IGP-M Calendar days (dcp)	IGP-M Calendar days (dct)	IGP-M Factor to date Month	IGP-M Factor accumulated (C)	UPDATED NOMINAL VALUE (VNa) R\$	(rate)	INTEREST Business days last payment (DP)	Accumulated factor (Interest factor) 252	INTEREST R\$
25/06/2006	11,003.159350	10,871.60	337.185	339.712	16	21	1.00570494	1.00570494	10,933.626700	10.50%	16	1.006359523	69.532650
26/06/2006	11,003.159350	10,871.60	337.185	339.712	16	21	1.00570494	1.00570494	10,933.626700	10.50%	16	1.006359523	69.532650
27/06/2006	11,011.434167	10,871.60	337.185	339.712	17	21	1.00606258	1.00606258	10,937.514800	10.50%	17	1.006758333	73.919367
28/06/2006	11,019.715234	10,871.60	337.185	339.712	18	21	1.00642034	1.00642035	10,941.404300	10.50%	18	1.007157302	78.310934
29/06/2006	11,028.002434	10,871.60	337.185	339.712	19	21	1.00677824	1.00677824	10,945.295100	10.50%	19	1.007556428	82.707334
30/06/2006	11,036.295992	10,871.60	337.185	339.712	20	21	1.00713626	1.00713626	10,949.187400	10.50%	20	1.007955713	87.108592
01/07/2006	11,044.595700	10,871.60	337.185	339.712	21	21	1.00749440	1.00749440	10,953.081000	10.50%	21	1.008355156	91.514700
02/07/2006	11,044.595700	10,871.60	337.185	339.712	21	21	1.00749440	1.00749440	10,953.081000	10.50%	21	1.008355156	91.514700
03/07/2006	11,044.595700	10,871.60	337.185	339.712	21	21	1.00749440	1.00749440	10,953.081000	10.50%	21	1.008355156	91.514700
04/07/2006	11,049.901121	10,871.60	339.712	340.312	1	21	1.00008403	1.00757907	10,954.001500	10.50%	22	1.008754757	95.899621
05/07/2006	11,055.209008	10,871.60	339.712	340.312	2	21	1.00016808	1.00766374	10,954.922000	10.50%	23	1.009154516	100.287008
06/07/2006	11,060.519475	10,871.60	339.712	340.312	3	21	1.00025212	1.00774842	10,955.842600	10.50%	24	1.009554434	104.676875
07/07/2006	11,065.832419	10,871.60	339.712	340.312	4	21	1.00033618	1.00783310	10,956.763200	10.50%	25	1.009954511	109.069219
08/07/2006	11,071.148034	10,871.60	339.712	340.312	5	21	1.00042024	1.00791780	10,957.684000	10.50%	26	1.010354746	113.464034
09/07/2006	11,071.148034	10,871.60	339.712	340.312	5	21	1.00042024	1.00791780	10,957.684000	10.50%	26	1.010354746	113.464034
10/07/2006	11,071.148034	10,871.60	339.712	340.312	5	21	1.00042024	1.00791780	10,957.684000	10.50%	26	1.010354746	113.464034
11/07/2006	11,076.466128	10,871.60	339.712	340.312	6	21	1.00050431	1.00800250	10,958.604800	10.50%	27	1.010755140	117.861328
12/07/2006	11,081.786793	10,871.60	339.712	340.312	7	21	1.00058839	1.00808721	10,959.525700	10.50%	28	1.011155692	122.261093
13/07/2006	11,087.110039	10,871.60	339.712	340.312	8	21	1.00067247	1.00817192	10,960.446700	10.50%	29	1.011556403	126.663339
14/07/2006	11,092.435766	10,871.60	339.712	340.312	9	21	1.00075656	1.00825664	10,961.367700	10.50%	30	1.011957273	131.068066
15/07/2006	11,097.764064	10,871.60	339.712	340.312	10	21	1.00084066	1.00834136	10,962.288800	10.50%	31	1.012358301	135.475264
16/07/2006	11,097.764064	10,871.60	339.712	340.312	10	21	1.00084066	1.00834136	10,962.288800	10.50%	31	1.012358301	135.475264
17/07/2006	11,097.764064	10,871.60	339.712	340.312	10	21	1.00084066	1.00834136	10,962.288800	10.50%	31	1.012358301	135.475264
18/07/2006	11,103.094957	10,871.60	339.712	340.312	11	21	1.00092476	1.00842610	10,963.210000	10.50%	32	1.012759489	139.884957
19/07/2006	11,108.428433	10,871.60	339.712	340.312	12	21	1.00100888	1.00851084	10,964.131300	10.50%	33	1.013160836	144.297133
20/07/2006	11,113.764483	10,871.60	339.712	340.312	13	21	1.00109300	1.00859559	10,965.052700	10.50%	34	1.013562341	148.711783
21/07/2006	11,119.103028	10,871.60	339.712	340.312	14	21	1.00117712	1.00868035	10,965.974100	10.50%	35	1.013964006	153.128928
22/07/2006	11,124.444157	10,871.60	339.712	340.312	15	21	1.00126125	1.00876511	10,966.895600	10.50%	36	1.014365830	157.548557
23/07/2006	11,124.444157	10,871.60	339.712	340.312	15	21	1.00126125	1.00876511	10,966.895600	10.50%	36	1.014365830	157.548557
24/07/2006	11,124.444157	10,871.60	339.712	340.312	15	21	1.00126125	1.00876511	10,966.895600	10.50%	36	1.014365830	157.548557
25/07/2006	11,129.787873	10,871.60	339.712	340.312	16	21	1.00134539	1.00884988	10,967.817200	10.50%	37	1.014767813	161.970673
26/07/2006	11,135.134186	10,871.60	339.712	340.312	17	21	1.00142954	1.00893466	10,968.738900	10.50%	38	1.015169956	166.395286
27/07/2006	11,140.483086	10,871.60	339.712	340.312	18	21	1.00151370	1.00901945	10,969.660700	10.50%	39	1.015572258	170.822386
28/07/2006	11,145.834472	10,871.60	339.712	340.312	19	21	1.00159786	1.00910424	10,970.582500	10.50%	40	1.015974719	175.251972
29/07/2006	11,151.188457	10,871.60	339.712	340.312	20	21	1.00168203	1.00918904	10,971.504400	10.50%	41	1.016377340	179.684057
30/07/2006	11,151.188457	10,871.60	339.712	340.312	20	21	1.00168203	1.00918904	10,971.504400	10.50%	41	1.016377340	179.684057
31/07/2006	11,151.188457	10,871.60	339.712	340.312	20	21	1.00168203	1.00918904	10,971.504400	10.50%	41	1.016377340	179.684057

DATE	Unit Price CMGD11 CMGD-D11 R\$	NOMINAL VALUE (VNe) R\$	IGP-M Inflation index (IN-1)	IGP-M Inflation index (IN)	IGP-M Calendar days (dcp)	IGP-M Calendar days (dct)	IGP-M Factor to date Month	IGP-M Factor accumulated (C)	UPDATED NOMINAL VALUE (VNa) R\$	(rate)	INTEREST Business days last payment (DP)	Accumulated factor (Interest factor) 252	INTEREST R\$
01/08/2006	11,156.545031	10,871.60	339.712	340.312	21	21	1.00176620	1.00927385	10,972.426400	10.50%	42	1.016780120	184.118631
02/08/2006	11,162.762606	10,871.60	340.312	341.574	1	23	1.00016095	1.00943629	10,974.192400	10.50%	43	1.017183060	188.570206
03/08/2006	11,168.983564	10,871.60	340.312	341.574	2	23	1.00032192	1.00959875	10,975.958600	10.50%	44	1.017586160	193.024964
04/08/2006	11,175.208098	10,871.60	340.312	341.574	3	23	1.00048292	1.00976125	10,977.725200	10.50%	45	1.017989419	197.482898
05/08/2006	11,181.436017	10,871.60	340.312	341.574	4	23	1.00064395	1.00992376	10,979.492000	10.50%	46	1.018392838	201.944017
06/08/2006	11,181.436017	10,871.60	340.312	341.574	4	23	1.00064395	1.00992376	10,979.492000	10.50%	46	1.018392838	201.944017
07/08/2006	11,181.436017	10,871.60	340.312	341.574	4	23	1.00064395	1.00992376	10,979.492000	10.50%	46	1.018392838	201.944017
08/08/2006	11,187.667527	10,871.60	340.312	341.574	5	23	1.00080500	1.01008631	10,981.259200	10.50%	47	1.018796417	206.408327
09/08/2006	11,193.902424	10,871.60	340.312	341.574	6	23	1.00096608	1.01024888	10,983.026600	10.50%	48	1.019200156	210.875824
10/08/2006	11,200.140811	10,871.60	340.312	341.574	7	23	1.00112718	1.01041148	10,984.794300	10.50%	49	1.019604055	215.346511
11/08/2006	11,206.382588	10,871.60	340.312	341.574	8	23	1.00128831	1.01057410	10,986.562200	10.50%	50	1.020008114	219.820388
12/08/2006	11,212.627961	10,871.60	340.312	341.574	9	23	1.00144946	1.01073675	10,988.330500	10.50%	51	1.020412333	224.297461
13/08/2006	11,212.627961	10,871.60	340.312	341.574	9	23	1.00144946	1.01073675	10,988.330500	10.50%	51	1.020412333	224.297461
14/08/2006	11,212.627961	10,871.60	340.312	341.574	9	23	1.00144946	1.01073675	10,988.330500	10.50%	51	1.020412333	224.297461
15/08/2006	11,218.876838	10,871.60	340.312	341.574	10	23	1.00161064	1.01089943	10,990.099100	10.50%	52	1.020816713	228.777738
16/08/2006	11,225.129098	10,871.60	340.312	341.574	11	23	1.00177185	1.01106213	10,991.867900	10.50%	53	1.021221252	233.261198
17/08/2006	11,231.384866	10,871.60	340.312	341.574	12	23	1.00193308	1.01122486	10,993.637000	10.50%	54	1.021625952	237.747866
18/08/2006	11,237.644142	10,871.60	340.312	341.574	13	23	1.00209434	1.01138761	10,995.406400	10.50%	55	1.022030813	242.237742
19/08/2006	11,243.906906	10,871.60	340.312	341.574	14	23	1.00225563	1.01155039	10,997.176100	10.50%	56	1.022435833	246.730806
20/08/2006	11,243.906906	10,871.60	340.312	341.574	14	23	1.00225563	1.01155039	10,997.176100	10.50%	56	1.022435833	246.730806
21/08/2006	11,243.906906	10,871.60	340.312	341.574	14	23	1.00225563	1.01155039	10,997.176100	10.50%	56	1.022435833	246.730806
22/08/2006	11,250.173192	10,871.60	340.312	341.574	15	23	1.00241694	1.01171320	10,998.946100	10.50%	57	1.022841015	251.227092
23/08/2006	11,256.442867	10,871.60	340.312	341.574	16	23	1.00257828	1.01187603	11,000.716300	10.50%	58	1.023246356	255.726567
24/08/2006	11,262.716168	10,871.60	340.312	341.574	17	23	1.00273964	1.01203889	11,002.486900	10.50%	59	1.023651859	260.229268
25/08/2006	11,268.992871	10,871.60	340.312	341.574	18	23	1.00290103	1.01220178	11,004.257700	10.50%	60	1.024057522	264.735171
26/08/2006	11,275.273090	10,871.60	340.312	341.574	19	23	1.00306244	1.01236469	11,006.028800	10.50%	61	1.024463346	269.244290
27/08/2006	11,275.273090	10,871.60	340.312	341.574	19	23	1.00306244	1.01236469	11,006.028800	10.50%	61	1.024463346	269.244290
28/08/2006	11,275.273090	10,871.60	340.312	341.574	19	23	1.00306244	1.01236469	11,006.028800	10.50%	61	1.024463346	269.244290
29/08/2006	11,281.556826	10,871.60	340.312	341.574	20	23	1.00322388	1.01252763	11,007.800200	10.50%	62	1.024869331	273.756626
30/08/2006	11,287.844070	10,871.60	340.312	341.574	21	23	1.00338535	1.01269059	11,009.571900	10.50%	63	1.025275476	278.272170
31/08/2006	11,294.134742	10,871.60	340.312	341.574	22	23	1.00354684	1.01285358	11,011.343800	10.50%	64	1.025681783	282.790942
01/09/2006	11,300.429026	10,871.60	340.312	341.574	23	23	1.00370836	1.01301660	11,013.116100	10.50%	65	1.026088250	287.312926
02/09/2006	11,306.538378	10,871.60	341.574	342.561	1	20	1.00014428	1.01316276	11,014.705100	10.50%	66	1.026494879	291.833278
03/09/2006	11,306.538378	10,871.60	341.574	342.561	1	20	1.00014428	1.01316276	11,014.705100	10.50%	66	1.026494879	291.833278
04/09/2006	11,306.538378	10,871.60	341.574	342.561	1	20	1.00014428	1.01316276	11,014.705100	10.50%	66	1.026494879	291.833278
05/09/2006	11,312.651002	10,871.60	341.574	342.561	2	20	1.00028858	1.01330894	11,016.294300	10.50%	67	1.026901669	296.356702
06/09/2006	11,318.766899	10,871.60	341.574	342.561	3	20	1.00043290	1.01345513	11,017.883700	10.50%	68	1.027308620	300.883199



DATE	Unit Price CMGD11 CMGD-D11 R\$	NOMINAL VALUE (VNe) R\$	IGP-M Inflation index (NIIn-1)	IGP-M Inflation index (NIIn)	IGP-M Calendar days (dcp)	IGP-M Calendar days (dct)	IGP-M Factor to date Month	IGP-M Factor accumulated (C)	UPDATED NOMINAL VALUE (VNa) R\$	(rate)	INTEREST Business days last payment (DP)	Accumulated factor (Interest factor) 252	INTEREST R\$
07/09/2006	11,324.886171	10,871.60	341.574	342.561	4	20	1.00057725	1.01360136	11,019.473400	10.50%	69	1.027715732	305.412771
08/09/2006	11,324.886171	10,871.60	341.574	342.561	4	20	1.00057725	1.01360136	11,019.473400	10.50%	69	1.027715732	305.412771
09/09/2006	11,331.008729	10,871.60	341.574	342.561	5	20	1.00072161	1.01374760	11,021.063300	10.50%	70	1.028123006	309.945429
10/09/2006	11,331.008729	10,871.60	341.574	342.561	5	20	1.00072161	1.01374760	11,021.063300	10.50%	70	1.028123006	309.945429
11/09/2006	11,331.008729	10,871.60	341.574	342.561	5	20	1.00072161	1.01374760	11,021.063300	10.50%	70	1.028123006	309.945429
12/09/2006	11,337.134562	10,871.60	341.574	342.561	6	20	1.00086599	1.01389386	11,022.653400	10.50%	71	1.028530441	314.481162
13/09/2006	11,343.263672	10,871.60	341.574	342.561	7	20	1.00101040	1.01404014	11,024.243700	10.50%	72	1.028938037	319.019972
14/09/2006	11,349.396173	10,871.60	341.574	342.561	8	20	1.00115483	1.01418645	11,025.834300	10.50%	73	1.029345795	323.561873
15/09/2006	11,355.531963	10,871.60	341.574	342.561	9	20	1.00129927	1.01433278	11,027.425100	10.50%	74	1.029753715	328.106863
16/09/2006	11,361.671136	10,871.60	341.574	342.561	10	20	1.00144374	1.01447913	11,029.016200	10.50%	75	1.030161796	332.654936
17/09/2006	11,361.671136	10,871.60	341.574	342.561	10	20	1.00144374	1.01447913	11,029.016200	10.50%	75	1.030161796	332.654936
18/09/2006	11,361.671136	10,871.60	341.574	342.561	10	20	1.00144374	1.01447913	11,029.016200	10.50%	75	1.030161796	332.654936
19/09/2006	11,367.813498	10,871.60	341.574	342.561	11	20	1.00158823	1.01462549	11,030.607400	10.50%	76	1.030570039	337.206098
20/09/2006	11,373.959255	10,871.60	341.574	342.561	12	20	1.00173274	1.01477189	11,032.198900	10.50%	77	1.030978444	341.760355
21/09/2006	11,380.108399	10,871.60	341.574	342.561	13	20	1.00187727	1.01491830	11,033.790700	10.50%	78	1.031387010	346.317699
22/09/2006	11,386.260744	10,871.60	341.574	342.561	14	20	1.00202182	1.01506473	11,035.382600	10.50%	79	1.031795739	350.878144
23/09/2006	11,392.416478	10,871.60	341.574	342.561	15	20	1.00216639	1.01521119	11,036.974800	10.50%	80	1.032204629	355.441678
24/09/2006	11,392.416478	10,871.60	341.574	342.561	15	20	1.00216639	1.01521119	11,036.974800	10.50%	80	1.032204629	355.441678
25/09/2006	11,392.416478	10,871.60	341.574	342.561	15	20	1.00216639	1.01521119	11,036.974800	10.50%	80	1.032204629	355.441678
26/09/2006	11,398.575520	10,871.60	341.574	342.561	16	20	1.00231098	1.01535766	11,038.567200	10.50%	81	1.032613682	360.008320
27/09/2006	11,404.737963	10,871.60	341.574	342.561	17	20	1.00245560	1.01550416	11,040.159900	10.50%	82	1.033022897	364.578063
28/09/2006	11,410.903694	10,871.60	341.574	342.561	18	20	1.00260023	1.01565068	11,041.752800	10.50%	83	1.033432273	369.150894
29/09/2006	11,417.072735	10,871.60	341.574	342.561	19	20	1.00274489	1.01579722	11,043.345900	10.50%	84	1.033841812	373.726835
30/09/2006	11,423.245089	10,871.60	341.574	342.561	20	20	1.00288956	1.01594377	11,044.939200	10.50%	85	1.034251514	378.305889
01/10/2006	11,423.245089	10,871.60	341.574	342.561	20	20	1.00288956	1.01594377	11,044.939200	10.50%	85	1.034251514	378.305889
02/10/2006	11,423.245089	10,871.60	341.574	342.561	20	20	1.00288956	1.01594377	11,044.939200	10.50%	85	1.034251514	378.305889
03/10/2006	11,430.298541	10,871.60	342.561	344.155	1	21	1.00022109	1.01616839	11,047.381100	10.50%	86	1.034661377	382.917441
04/10/2006	11,437.356427	10,871.60	342.561	344.155	2	21	1.00044223	1.01639305	11,049.823600	10.50%	87	1.035071404	387.532827
05/10/2006	11,444.418614	10,871.60	342.561	344.155	3	21	1.00066342	1.01661777	11,052.266600	10.50%	88	1.035481592	392.152014
06/10/2006	11,451.485228	10,871.60	342.561	344.155	4	21	1.00088466	1.01684254	11,054.710200	10.50%	89	1.035891943	396.775028
07/10/2006	11,458.556168	10,871.60	342.561	344.155	5	21	1.00110594	1.01706735	11,057.154300	10.50%	90	1.036302457	401.401868
08/10/2006	11,458.556168	10,871.60	342.561	344.155	5	21	1.00110594	1.01706735	11,057.154300	10.50%	90	1.036302457	401.401868
09/10/2006	11,458.556168	10,871.60	342.561	344.155	5	21	1.00110594	1.01706735	11,057.154300	10.50%	90	1.036302457	401.401868
10/10/2006	11,465.631436	10,871.60	342.561	344.155	6	21	1.00132728	1.01729221	11,059.598900	10.50%	91	1.036713134	406.032536
11/10/2006	11,472.711126	10,871.60	342.561	344.155	7	21	1.00154866	1.01751713	11,062.044100	10.50%	92	1.037123973	410.667026
12/10/2006	11,479.795148	10,871.60	342.561	344.155	8	21	1.00177010	1.01774209	11,064.489800	10.50%	93	1.037534975	415.305348
13/10/2006	11,479.795148	10,871.60	342.561	344.155	8	21	1.00177010	1.01774209	11,064.489800	10.50%	93	1.037534975	415.305348

DATE	Unit Price CMGD11 CMGD-D11 R\$	NOMINAL VALUE (VNe) R\$	IGP-M Inflation index (IN-1)	IGP-M Inflation index (IN)	IGP-M Calendar days (dcp)	IGP-M Calendar days (dct)	IGP-M Factor to date Month	IGP-M Factor accumulated (C)	UPDATED NOMINAL VALUE (VNa) R\$	(rate)	INTEREST Business days last payment (DP)	Accumulated factor (Interest factor) 252	INTEREST R\$
14/10/2006	11,486.883606	10,871.60	342.561	344.155	9	21	1.00199158	1.01796711	11,066.936100	10.50%	94	1.037946140	419.947506
15/10/2006	11,486.883606	10,871.60	342.561	344.155	9	21	1.00199158	1.01796711	11,066.936100	10.50%	94	1.037946140	419.947506
16/10/2006	11,486.883606	10,871.60	342.561	344.155	9	21	1.00199158	1.01796711	11,066.936100	10.50%	94	1.037946140	419.947506
17/10/2006	11,493.976389	10,871.60	342.561	344.155	10	21	1.00221311	1.01819217	11,069.382900	10.50%	95	1.038357467	424.593489
18/10/2006	11,501.073520	10,871.60	342.561	344.155	11	21	1.00243469	1.01841728	11,071.830200	10.50%	96	1.038768958	429.243320
19/10/2006	11,508.175093	10,871.60	342.561	344.155	12	21	1.00265632	1.01864245	11,074.278100	10.50%	97	1.039180612	433.896993
20/10/2006	11,515.281007	10,871.60	342.561	344.155	13	21	1.00287800	1.01886766	11,076.726500	10.50%	98	1.039592429	438.554507
21/10/2006	11,522.391368	10,871.60	342.561	344.155	14	21	1.00309972	1.01909292	11,079.175500	10.50%	99	1.040004409	443.215868
22/10/2006	11,522.391368	10,871.60	342.561	344.155	14	21	1.00309972	1.01909292	11,079.175500	10.50%	99	1.040004409	443.215868
23/10/2006	11,522.391368	10,871.60	342.561	344.155	14	21	1.00309972	1.01909292	11,079.175500	10.50%	99	1.040004409	443.215868
24/10/2006	11,529.506084	10,871.60	342.561	344.155	15	21	1.00332150	1.01931823	11,081.625000	10.50%	100	1.040416553	447.881084
25/10/2006	11,536.625146	10,871.60	342.561	344.155	16	21	1.00354332	1.01954359	11,084.075000	10.50%	101	1.040828860	452.550146
26/10/2006	11,543.748660	10,871.60	342.561	344.155	17	21	1.00376520	1.01976900	11,086.525600	10.50%	102	1.041241330	457.223060
27/10/2006	11,550.876536	10,871.60	342.561	344.155	18	21	1.00398712	1.01999446	11,088.976700	10.50%	103	1.041653964	461.899836
28/10/2006	11,558.008867	10,871.60	342.561	344.155	19	21	1.00420909	1.02021998	11,091.428400	10.50%	104	1.042066761	466.580467
29/10/2006	11,558.008867	10,871.60	342.561	344.155	19	21	1.00420909	1.02021998	11,091.428400	10.50%	104	1.042066761	466.580467
30/10/2006	11,558.008867	10,871.60	342.561	344.155	19	21	1.00420909	1.02021998	11,091.428400	10.50%	104	1.042066761	466.580467
31/10/2006	11,565.145563	10,871.60	342.561	344.155	20	21	1.00443112	1.02044554	11,093.880600	10.50%	105	1.042479722	471.264963
01/11/2006	11,572.286719	10,871.60	342.561	344.155	21	21	1.00465319	1.02067115	11,096.333400	10.50%	106	1.042892846	475.953319
02/11/2006	11,581.215045	10,871.60	344.155	346.746	1	20	1.00037509	1.02105399	11,100.495500	10.50%	107	1.043306134	480.719545
03/11/2006	11,581.215045	10,871.60	344.155	346.746	1	20	1.00037509	1.02105399	11,100.495500	10.50%	107	1.043306134	480.719545
04/11/2006	11,590.150302	10,871.60	344.155	346.746	2	20	1.00075032	1.02143698	11,104.659200	10.50%	108	1.043719586	485.491102
05/11/2006	11,590.150302	10,871.60	344.155	346.746	2	20	1.00075032	1.02143698	11,104.659200	10.50%	108	1.043719586	485.491102
06/11/2006	11,590.150302	10,871.60	344.155	346.746	2	20	1.00075032	1.02143698	11,104.659200	10.50%	108	1.043719586	485.491102
07/11/2006	11,599.092391	10,871.60	344.155	346.746	3	20	1.00112569	1.02182011	11,108.824400	10.50%	109	1.044133202	490.267991
08/11/2006	11,608.041418	10,871.60	344.155	346.746	4	20	1.00150120	1.02220338	11,112.991200	10.50%	110	1.044546982	495.050218
09/11/2006	11,616.997378	10,871.60	344.155	346.746	5	20	1.00187686	1.02258680	11,117.159600	10.50%	111	1.044960925	499.837778
10/11/2006	11,625.960193	10,871.60	344.155	346.746	6	20	1.00225265	1.02297036	11,121.329500	10.50%	112	1.045375033	504.630693
11/11/2006	11,634.929958	10,871.60	344.155	346.746	7	20	1.00262858	1.02335407	11,125.501000	10.50%	113	1.045789305	509.428958
12/11/2006	11,634.929958	10,871.60	344.155	346.746	7	20	1.00262858	1.02335407	11,125.501000	10.50%	113	1.045789305	509.428958
13/11/2006	11,634.929958	10,871.60	344.155	346.746	7	20	1.00262858	1.02335407	11,125.501000	10.50%	113	1.045789305	509.428958
14/11/2006	11,643.906679	10,871.60	344.155	346.746	8	20	1.00300466	1.02373792	11,129.674100	10.50%	114	1.046203741	514.232579
15/11/2006	11,652.890255	10,871.60	344.155	346.746	9	20	1.00338088	1.02412191	11,133.848700	10.50%	115	1.046618341	519.041555
16/11/2006	11,652.890255	10,871.60	344.155	346.746	9	20	1.00338088	1.02412191	11,133.848700	10.50%	115	1.046618341	519.041555
17/11/2006	11,661.880805	10,871.60	344.155	346.746	10	20	1.00375723	1.02450605	11,138.024900	10.50%	116	1.047033106	523.855905
18/11/2006	11,670.878218	10,871.60	344.155	346.746	11	20	1.00413373	1.02489033	11,142.202600	10.50%	117	1.047448035	528.675618
19/11/2006	11,670.878218	10,871.60	344.155	346.746	11	20	1.00413373	1.02489033	11,142.202600	10.50%	117	1.047448035	528.675618

DATE	Unit Price CMGD11 CMGD-D11 R\$	NOMINAL VALUE (VNe) R\$	IGP-M Inflation index (IN-1)	IGP-M Inflation index (IN)	IGP-M Calendar days (dcp)	IGP-M Calendar days (dct)	IGP-M Factor to date Month	IGP-M Factor accumulated (C)	UPDATED NOMINAL VALUE (VNa) R\$	(rate)	INTEREST Business days last payment (DP)	Accumulated factor (Interest factor) 252	INTEREST R\$
20/11/2006	11,670.878218	10,871.60	344.155	346.746	11	20	1.00413373	1.02489033	11,142.202600	10.50%	117	1.047448035	528.675618
21/11/2006	11,679.882708	10,871.60	344.155	346.746	12	20	1.00451037	1.02527476	11,146.382000	10.50%	118	1.047863128	533.500708
22/11/2006	11,688.894079	10,871.60	344.155	346.746	13	20	1.00488715	1.02565933	11,150.562900	10.50%	119	1.048278386	538.331179
23/11/2006	11,697.912325	10,871.60	344.155	346.746	14	20	1.00526408	1.02604404	11,154.745300	10.50%	120	1.048693808	543.167025
24/11/2006	11,706.937566	10,871.60	344.155	346.746	15	20	1.00564114	1.02642889	11,158.929300	10.50%	121	1.049109395	548.008266
25/11/2006	11,715.969806	10,871.60	344.155	346.746	16	20	1.00601835	1.02681390	11,163.114900	10.50%	122	1.049525147	552.854906
26/11/2006	11,715.969806	10,871.60	344.155	346.746	16	20	1.00601835	1.02681390	11,163.114900	10.50%	122	1.049525147	552.854906
27/11/2006	11,715.969806	10,871.60	344.155	346.746	16	20	1.00601835	1.02681390	11,163.114900	10.50%	122	1.049525147	552.854906
28/11/2006	11,725.009037	10,871.60	344.155	346.746	17	20	1.00639569	1.02719905	11,167.302100	10.50%	123	1.049941063	557.706937
29/11/2006	11,734.055287	10,871.60	344.155	346.746	18	20	1.00677318	1.02758435	11,171.490900	10.50%	124	1.050357145	562.564387
30/11/2006	11,743.108431	10,871.60	344.155	346.746	19	20	1.00715081	1.02796978	11,175.681200	10.50%	125	1.050773391	567.427231
01/12/2006	11,752.168485	10,871.60	344.155	346.746	20	20	1.00752858	1.02835535	11,179.873000	10.50%	126	1.051189802	572.295485
02/12/2006	11,758.681101	10,871.60	346.746	347.842	1	20	1.00015780	1.02851764	11,181.637300	10.50%	127	1.051606378	577.043801
03/12/2006	11,758.681101	10,871.60	346.746	347.842	1	20	1.00015780	1.02851764	11,181.637300	10.50%	127	1.051606378	577.043801
04/12/2006	11,758.681101	10,871.60	346.746	347.842	1	20	1.00015780	1.02851764	11,181.637300	10.50%	127	1.051606378	577.043801
05/12/2006	11,765.197242	10,871.60	346.746	347.842	2	20	1.00031563	1.02867994	11,183.401800	10.50%	128	1.052023119	581.795442
06/12/2006	11,771.717027	10,871.60	346.746	347.842	3	20	1.00047349	1.02884227	11,185.166600	10.50%	129	1.052440026	586.550427
07/12/2006	11,778.240339	10,871.60	346.746	347.842	4	20	1.00063137	1.02900462	11,186.931600	10.50%	130	1.052857098	591.308739
08/12/2006	11,784.767381	10,871.60	346.746	347.842	5	20	1.00078927	1.02916701	11,188.697000	10.50%	131	1.053274334	596.070381
09/12/2006	11,791.297974	10,871.60	346.746	347.842	6	20	1.00094720	1.02932941	11,190.462600	10.50%	132	1.053691737	600.835374
10/12/2006	11,791.297974	10,871.60	346.746	347.842	6	20	1.00094720	1.02932941	11,190.462600	10.50%	132	1.053691737	600.835374
11/12/2006	11,791.297974	10,871.60	346.746	347.842	6	20	1.00094720	1.02932941	11,190.462600	10.50%	132	1.053691737	600.835374
12/12/2006	11,797.832194	10,871.60	346.746	347.842	7	20	1.00110515	1.02949185	11,192.228500	10.50%	133	1.054109304	605.603694
13/12/2006	11,804.370063	10,871.60	346.746	347.842	8	20	1.00126313	1.02965431	11,193.994700	10.50%	134	1.054527037	610.375363
14/12/2006	11,810.911477	10,871.60	346.746	347.842	9	20	1.00142113	1.02981678	11,195.761100	10.50%	135	1.054944936	615.150377
15/12/2006	11,817.456637	10,871.60	346.746	347.842	10	20	1.00157916	1.02997930	11,197.527900	10.50%	136	1.055363000	619.928737
16/12/2006	11,824.005344	10,871.60	346.746	347.842	11	20	1.00173721	1.03014183	11,199.294900	10.50%	137	1.055781230	624.710444
17/12/2006	11,824.005344	10,871.60	346.746	347.842	11	20	1.00173721	1.03014183	11,199.294900	10.50%	137	1.055781230	624.710444
18/12/2006	11,824.005344	10,871.60	346.746	347.842	11	20	1.00173721	1.03014183	11,199.294900	10.50%	137	1.055781230	624.710444
19/12/2006	11,830.557706	10,871.60	346.746	347.842	12	20	1.00189529	1.03030439	11,201.062200	10.50%	138	1.056199626	629.495506
20/12/2006	11,837.113618	10,871.60	346.746	347.842	13	20	1.00205339	1.03046697	11,202.829700	10.50%	139	1.056618188	634.283918
21/12/2006	11,843.673280	10,871.60	346.746	347.842	14	20	1.00221152	1.03062959	11,204.597600	10.50%	140	1.057036915	639.075680
22/12/2006	11,850.236496	10,871.60	346.746	347.842	15	20	1.00236968	1.03079222	11,206.365700	10.50%	141	1.057455808	643.870796
23/12/2006	11,856.803381	10,871.60	346.746	347.842	16	20	1.00252785	1.03095489	11,208.134100	10.50%	142	1.057874868	648.669281
24/12/2006	11,856.803381	10,871.60	346.746	347.842	16	20	1.00252785	1.03095489	11,208.134100	10.50%	142	1.057874868	648.669281
25/12/2006	11,856.803381	10,871.60	346.746	347.842	16	20	1.00252785	1.03095489	11,208.134100	10.50%	142	1.057874868	648.669281
26/12/2006	11,856.803381	10,871.60	346.746	347.842	16	20	1.00252785	1.03095489	11,208.134100	10.50%	142	1.057874868	648.669281

DATE	Unit Price CMGD11 CMGD-D11 R\$	NOMINAL VALUE (VNe) R\$	IGP-M Inflation index (NIIn-1)	IGP-M Inflation index (NIIn)	IGP-M Calendar days (dcp)	IGP-M Calendar days (dct)	IGP-M Factor to date Month	IGP-M Factor accumulated (C)	UPDATED NOMINAL VALUE (VNa) R\$	(rate)	INTEREST Business days last payment (DP)	Accumulated factor (Interest factor) 252	INTEREST R\$
27/12/2006	11,863.373916	10,871.60	346.746	347.842	17	20	1.00268606	1.03111758	11,209.902800	10.50%	143	1.058294093	653.471116
28/12/2006	11,869.948112	10,871.60	346.746	347.842	18	20	1.00284428	1.03128029	11,211.671800	10.50%	144	1.058713484	658.276312
29/12/2006	11,876.525877	10,871.60	346.746	347.842	19	20	1.00300254	1.03144303	11,213.441000	10.50%	145	1.059133042	663.084877
30/12/2006	11,883.107412	10,871.60	346.746	347.842	20	20	1.00316082	1.03160580	11,215.210600	10.50%	146	1.059552766	667.896812
31/12/2006	11,883.107412	10,871.60	346.746	347.842	20	20	1.00316082	1.03160580	11,215.210600	10.50%	146	1.059552766	667.896812
01/01/2007	11,883.107412	10,871.60	346.746	347.842	20	20	1.00316082	1.03160580	11,215.210600	10.50%	146	1.059552766	667.896812
02/01/2007	11,883.107412	10,871.60	346.746	347.842	20	20	1.00316082	1.03160580	11,215.210600	10.50%	146	1.059552766	667.896812

## Performance of the Issuer

(Source: Standardized Financial Statements (DFPs) at 31/12/06 filed with the CVM.)

### MESSAGE FROM MANAGEMENT

In the second year of operation of Cemig Distribuição, we have once again achieved excellent financial results.

Our net profit in 2006 was R\$ 770 million, and cash flow, measured as Ebitda (Profit before interest, tax, depreciation and amortization) was R\$ 1,273 billion. Although these results were lower than those of the previous year, if we exclude the extraordinary, non-reoccurring items from the 2005 result there has been an increase in profitability and operational efficiency in 2006.

As a regulated company, with tariffs and remuneration mechanisms established by the National Electricity Agency (Aneel), we believe that actions to reduce operational costs, able to give the company higher profitability and consequent addition of value to the investments made for our stockholders, are vital.

Quality in the provision of service to our clients, who are more than six million in the whole of the Brazilian state of Minas Gerais, is one of our priorities. We meet all the minimum operational requirements established by the regulator, as a way of measuring the quality of the provision of service.

Our significant capital expenditure program should be emphasized. We connected more than 230,000 consumers in 2006, 87,000 of them through the Light for Everyone ("Luz Para Todos") program. This program aims to provide 100% universal public access to electricity throughout Brazil, with a focus on low-income consumers in country areas, has already consumed investment of R\$ 1.2 billion, and is scheduled to be concluded in 2007, when we in Minas Gerais will have service being provided to practically the entire population of our concession area.

Our debt, in loans and financings, remained stable from the previous year. In the third quarter of 2006 we were given listed company registration by the Brazilian Securities Commission (CVM), which will make it possible to access the capitals market also through issue of debentures.

In relation to management of risks and improvement of internal controls, we developed a series of actions during the year to obtain certification of our internal controls by independent auditors, meeting a requirement established in the Sarbanes-Oxley Law, to which we are subject as a subsidiary of Cemig, a company that has its shares registered with the Securities and Exchange Commission (SEC) of the USA. More than merely obeying this law, we see this as an opportunity to invest in the management of the company's risks, reviewing all the internal controls and identifying points for improvement, which reduces the company's exposure to various forms of business risks.

At the same time we recognize the fundamental role played by the company's employees in the continuity of our process of expansion and increase of profitability. Based on this stance we are implementing a program of human capital management that aims to make our employees more fully able to carry out the various activities that we operate with high productivity and efficiency.

Among the various aspects dealt with, a highlight is the Competencies Development Program put in place in 2006, which seeks to prepare our professionals to deal with the company's transformations today and in the future, identification and mapping of competencies, and generate a performance management model aligned with the company's strategic planning.

Our investment in training in 2006 exceeded R\$ 11 million, with 13,507 participations by employees in various courses.

As a public recognition for our good personnel management practices we were classified by Exame magazine as one of the 150 best companies to work for in Brazil.

The inclusion of our parent company, Cemig, for the seventh year in succession, in the Dow Jones World Sustainability Index – and the only company in this index in Brazilian electricity – is a demonstration of the effort of our management to meet the long-term interests of our stockholders, employees and the society in which we are present.

Our actions during the year of 2006 give us confidence in relation to the future, and our capacity to continue growing in a sustainable manner, with continual generation of value for our stockholders, and for the public.

### THE ECONOMIC CONTEXT

In 2006 Brazilian economic growth was 2.7%, lower than expectations at the end of the year which indicated GDP growth of 3.5%. As a comparison, the world economy grew by an average of 5.1%. In spite of the low performance of the Brazilian economy, consumption of electricity in the country grew by 3.8% from the previous year.

Brazilian inflation, as measured by the IPCA Index, was 3.1% in the whole year, well below the official inflation target of 4.5% set by the Central Bank. Taking advantage of the credibility that has been won in recent years, the Brazilian Central Bank maintained a restrictive monetary policy, with high interest rates and opportune acquisitions of dollars, aiming to avoid excessive appreciation of the Real, which also caused the reserves to grow, to almost R\$ 80 billion at the end of 2006.

However, the stronger Real did not reduce the trade balance in 2006, which closed the year with a record surplus of approximately US\$ 45 billion, fruit of the strong expansion in international trade.

The combination of the trade surplus, the increase in Brazil's international reserves and the positive overall current account surplus indicates reduction in the vulnerability of the Brazilian economy, which has resulted in a decline in Brazilian country risk, as measured by JP Morgan Chase, to 193 basis points at the end of 2006, and also positive foreign investment inflow into the country, of approximately R\$ 16 billion in the year.

Sustaining the fiscal adjustment is now a challenge for the future, through containment of public expenditure, so as to generate primary surpluses that will ensure the reduction of the ratio of net public debt to GDP, a primordial factor for Brazil to achieve Investment Grade as measured by the international rating agencies.

Additionally, investments in infrastructure and changes in the business environment to stimulate investment will contribute to the country's growth, in a sustained manner, and higher rates in the future, taking advantage of the whole potential of the Brazilian economy.

### THE REGULATORY ENVIRONMENT – ELECTRICITY AUCTIONS

In 2006 Cemig Distribuição took part in two “New Energy” auctions - called A-3 and A-5 – held by the National Electricity Agency (ANEEL) and operated by the Electricity Trading Chamber (CCEE).

In the A-3 auction, which was for supply to start in January 2009, Cemig Distribuição brought 98 average MW at an average price of R\$ 128.12/MWH, with supply contracts for 15 years (thermal source) and 30 years (hydroelectric source).

In the A-5 auction, for supply starting in January 2001, Cemig Distribuição brought 48 average MW at an average price of R\$ 128.90/MWH, in contracts for supply over 15 years (thermal) and 30 years (hydro).

As a function of its commercial strategy, Cemig Distribuição did not take part in the auctions of “Existing Energy”, the A-1 auction and the Adjustment auction, which were also held in 2006.

This table gives an overall picture of the transactions:

<b>Electricity traded</b>		
Auctions held in 2006		
	<b>A-5</b>	<b>A-3</b>
Volume traded (MWh)	48	98
Contract period (years) – Thermal source	15	15
Contract period (years) – Hydro source	30	30
Price (R\$/MWh)	128.90	128.12
Supply to start (year)	2011	2009

Transactions in the Electricity Trading Chamber (CCEE): Cemig Distribuição had approximately 2.74% of contracts in excess of its load, at the end of the year. These surpluses were valued at the Differences Settlement Price (PLD), the revenue from which is deducted from expenses on energy purchases, translating back into lower tariffs for the captive consumer.

### RETAIL SUPPLY OF ELECTRICITY

#### **Service policy**

- Cemig Distribuição continually implements improvements in its structure for serving clients, so as to establish more efficient communication channels and speed in service of their expectations and interests. Among the actions, we highlight:
- Restructuring and modernization of Service Branches: we are in the process of adaptation of 127 Service Branches to a new relationship philosophy, with self-service areas and installation of phone lines with direct access to the “speak to Cemig” service center.
- Cemig Postal: We have put in place this channel for clients to use forms with pre-paid mailing that are available free of charge at indicated locations on the premises of *Cemig Fácil* agents.
- Mobile branch project: As a pilot project put in place in the first half of 2005 in the South of the State Minas Gerais, this project extends service to the public, through a fully equipped trailer. In 2006 more than 100 municipalities where the company does not have any representation structure were visited.
- Simplified Service Posts (PAS's): In a partnership with municipal prefectures, it has been possible to create this further channel of relationship with clients, in municipalities that do not have Service Branches. The services provided by a municipal employee, trained by Cemig agents. Thirty of these posts are currently working.
- With the first stage of the project concluded in December 2006, the Virtual Branch provides more comfort and convenience to clients. Our website highlights accessibility for the visually challenged, and also personal service for real estate management companies that have a high demand for service volume. This site aims to increase the productivity of the commercial processes, minimizing costs and improving speed in results.
- The *Speak to Cemig* Program: this facility is now structured in 357 points to serve clients 24 hours a day, via telephone, the Cemig portal and email, producing greater efficiency in the services and ensuring convenience and comfort for clients, who are able to request services without leaving their homes. The service capacity is currently more than 60,000 calls/day, and on an atypical day it has reached 82,000 calls/day.
- The Direct Procon Channel – the direct channel to the public consumer complaints service – provides an 0800 phone number specifically for service to Procon offices of the state and municipalities, with an exclusive trained team for this service.
- Projects in the process of implementation include Tele-Measuring of 750 major industrial consumers of the A4 group, and automation of measuring of the low-voltage consumer units of the town of São João Del Rei. These allow for simplification of billing, monitoring of measurement, remote monitoring of the load curve of the client, and reduction of the cost of processing reading making service to consumers faster and more efficient.

## Energy Efficiency

The Minas Gerais State Electricity Management Program (“PGEE”) was structured in partnership with the State’s Planning and Management Department. Through very numerous actions in 300 units, savings totaling R\$ 3.2 million were achieved in 2006. As well as the importance for the public administration, and the public, of reducing the cost of the machinery of the State, there are other important effects such as reduction of consumption and energy demand arising from various buildings controlled by the State Government.

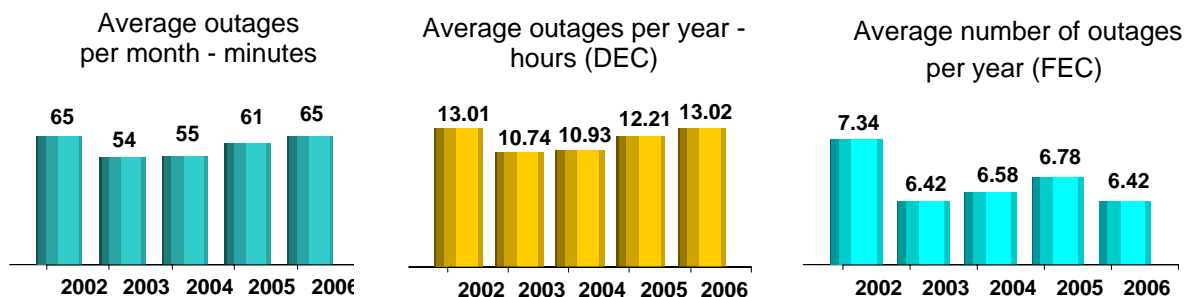
150,000 employees of public schools received training in rational use of electricity from the *Cemig nas Escolas* (“Cemig in the Schools”) Program.

In public illumination, efficiency was improved at 58,133 points in 200 municipalities in Minas Gerais State, for capital expenditure of R\$ 90 million, resulting in an annual reduction in demand of 4,244KW, 18,587MWH in consumption and R\$ 4.6 million in the total invoicing of energy to Municipal city halls.

The Conviver (“Living Together”) Program was begun in 2006. It aims to promote access to an informed use of the services provided by Cemig in the low income communities of Greater Belo Horizonte, increasing the number of families that use electricity service in accordance with the regulations and in an efficient and safe way, with billing comparable with their economic capacity. A total of R\$ 21.5 million was injected into this project, made up of R\$ 3.4 million in training of community relationship agents, R\$ 2.3 million in purchase of household appliances to be donated, and R\$ 15.8 million in adaptation of networks and measuring facilities.

## Quality of retail supply

The charts below show the historic evolution of the indicators of quality, in relation to the total time for which consumers are deprived of retail supply by outages, and the number of outages in the year.



Within these indices as found, about 25% of the DEC’s and 12% of the FEC figures refer to programmed outages for improvement of the electricity network. These are preceded by advice to consumers, and thus reduce the impact of a temporary power outage.

## Tariff adjustments

The distribution tariff adjustment was homologated by ANEEL Resolution 310 of April 6, 2006 given in detail in Technical Note 127/2006.

The tariff adjustment was differentiated by consumer category, for the purpose of gradually eliminating cross-subsides between the various consumer groups.

The average impact of the adjustment on electricity bills was 7.05%. The average income on invoices of low voltage consumers was 5.14%, and the impact on tariffs of high voltage consumers was 10.32%.



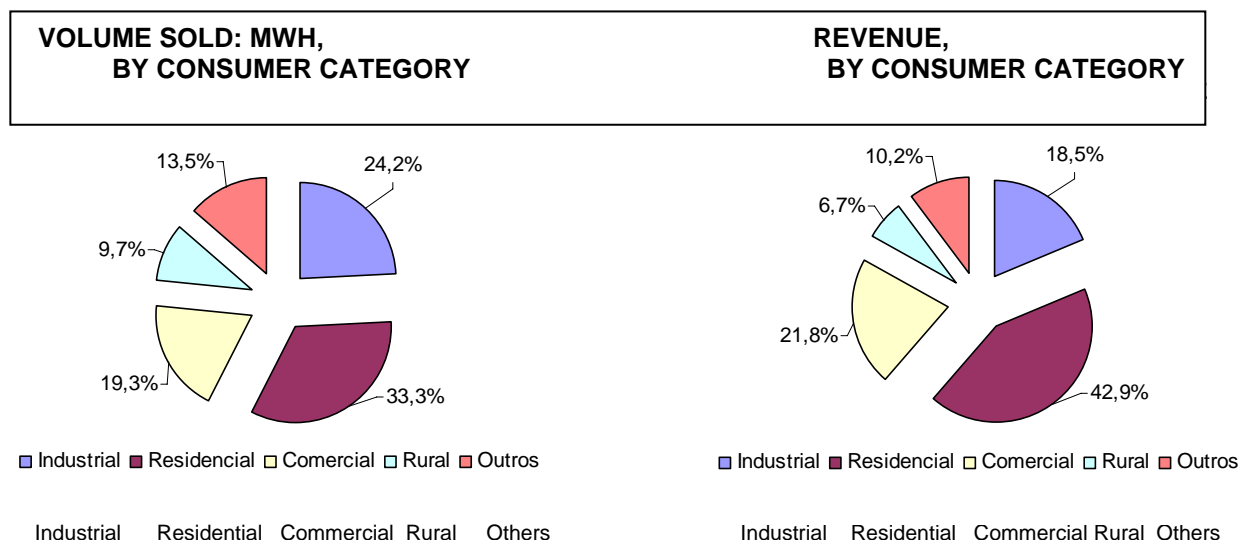
## Commercial performance

As a result of migration of captive consumers to the status of free consumers, the total electricity sales volume of Cemig Distribuição was reduced by 1.3% in 2006, from 2005. In spite of the reduction in the quantity of energy invoiced, revenue rose by 5.6% as a result of tariff adjustments with an average impact of 6.9%.

The table below shows the variations in quantity of energy sold to final consumers, the respective revenue from each category, and average tariff:

	GWh			R\$ million			Average tariff (R\$)		
	2006	2005	Change, %	2006	2005	Change, %	2006	2005	Change, %
Residential	6.647	6.590	0.9	3,301	3,125	5.6	496,62	474,20	4.7
Industrial	4.839	5.333	(9.3)	1,422	1,432	(0.7)	293,86	268,52	9.4
Commercial	3.851	3.754	2.6	1,680	1,542	8.9	436,25	410,76	6.2
Rural	1.937	1.941	(0.2)	514	483	6.4	265,36	248,84	6.6
Public authorities	599	571	4.9	252	224	12.5	420,70	392,29	7.2
Public illumination	1.051	1.022	2.8	269	251	7.2	255,95	245,60	4.2
Public service	1.016	981	3.6	263	237	11.0	258,86	241,59	7.1
<b>Total</b>	<b>19.940</b>	<b>20.192</b>	<b>(1.3)</b>	<b>7,701</b>	<b>7,294</b>	<b>5.6</b>	<b>386,21</b>	<b>361,23</b>	<b>6.9</b>

The largest categories both in volume invoiced and revenue generated, are residential, commercial and industrial, as these charts show:



## Protection of revenue: management of losses

Commercial losses have increased in recent years, mainly as a result of the rules imposed by electricity rationing in 2001, and the country's economic situation, reflected in the purchasing power of the company's clients.

At present the company's commercial losses are 0.90% of the total amount of energy that enters its

distribution grid system, while the national average in 2005 was around 6%. The results of identification and recovery of commercial losses total 132.5GWH, an increase of 439% over the period from 2000 through 2005.

In 2006 a total of approximately R\$ 90 million (10% more than in 2005 and 120% more than in 2004) was recovered, as well as approximately R\$ 110 million arising from losses avoided or increase of consumption by those consumer units whose condition was regularized.

This year, to improve the company's capacity to react to increased irregularities, we put various actions into effect, among which we highlight:

- Improvements in the Web Inspection Order Management System (WGOI), seeking more efficiency in the identification of units with irregularities;
- Implementation of a corporate system for control of the seals and measuring devices we provide, facilitating their tracking;
- The Value Addition Project (PAV) for protection of revenue, which showed the economic feasibility of actions to combat losses and payment default, providing greater injection of funds into these activities, with a consequent increase in revenue; and
- Preparation of the Revenue Protection Plan, focused on measurement, which adds technologies and actions to "bullet-proof" the revenues of medium- and large-scale consumers in a major project, and application of complementary technologies for the other consumers.

## FINANCIAL AND ECONOMIC PERFORMANCE

(R\$ '000, except where stated)

### Net profit for the period

In 2006 Cemig Distribuição reported net profit of R\$ 770 million, which compares with R\$ 990 million in 2005, a reduction of 22.2%. This reduction mainly reflects the extraordinary revenue in the previous year from the deferred tariff adjustment, in the amount R\$ 591 million.

### Operational revenues

OPERATIONAL REVENUES – R\$ million	2006	2005	Change, %
Gross retail electricity sales	7,966	7,430	7.2
Final consumers	7,906	7,335	7.8
Wholesale supply to other concession holders	-	54	-
Transaction in energy on the CCEE	60	41	46.3
Deferred Tariff Adjustment	-	591	-
Revenues from use of the network	1,261	1,201	5.0
Other	56	53	5.7
	<b>9,283</b>	<b>9,275</b>	0.09

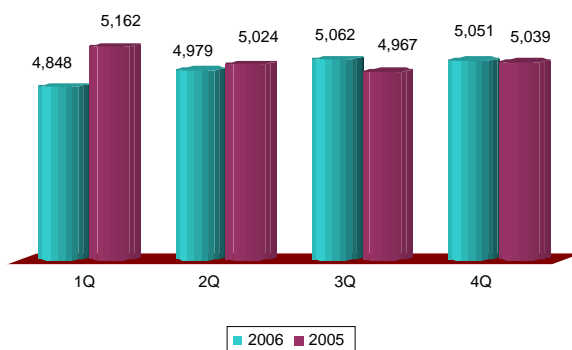
### Gross retail supply of electricity

The main impacts on 2006 revenue arise from the following factors:

- The increase in tariffs from April 8, 2005 (the full effect of which was felt for the first time in the 2006 business year), with an average impact of 20.7% on the tariff.
- Adjustment in tariffs from April 8, 2006, with an average impact on tariffs of 7.05%.
- 1.25% reduction in volume of energy invoiced to final consumers (excluding own consumption) as a result of migration of captive consumers to free-consumer status.

This chart shows the quarterly variations in retail supply:

GWh invoiced to final consumers



More information on the behavior of the electricity market in 2006 can be seen in the item "Retail supply of electricity".

### Deferred Tariff Adjustment

In April 2005 the result of the periodic review of Cemig's tariff levels was announced, with backdated effect to April 2003, resulting in entitlement to an increase in tariffs of 44.4%.

The average adjustment applied to the tariffs on April 8, 2003, was 31.53%. To compensate Cemig Distribuição for the lower revenue invoiced from April 2003 to April 2005, ANEEL is including an additional percentage in the tariff adjustments for 2004 to 2007.

The difference between the tariff repositioning to which Cemig is entitled and the tariff actually charged to consumers from 2003 through 2005 was recognized as a regulatory asset in a counterpart entry in the income statement for 2005, in the amount of R\$ 591 million.

### **Revenue from use of grid**

This revenue is from the tariff for use of the electricity distribution systems (the TUSD) – in which free consumers are charged for the transport of the electricity sold by other agents in the company's concession area, principally by Cemig Geração e Transmissão.

The increase in revenue was the result of an increase in the tariff with an average impact on revenue of 10.3%; and from the higher consumption of energy by free consumers (basis for calculation of revenue).

It should be emphasized that in 2005 Cemig Distribuição posted an additional revenue in the amount of R\$ 175 million for the ICMS tax applicable to the TUSD backdated to the year 2000, passed on to the Minas Gerais State Government.

### **Operational costs and expenses (excludes financial revenue / expenses)**

	2006	2005	Var. %
<b>Non-controllable costs</b>			
Electricity bought for resale	1,981	1,890	4.8
Financial compensation for use of water resources	12	33	(63.6)
Fuel Consumption Account - CCC	443	387	14.5
Charges for use of the basic transmission network	515	554	(7.0)
Energy Development Account – CDE	294	279	5.4
Energy Efficiency and Research and Development	158	173	(8.7)
	<b>3,403</b>	<b>3,316</b>	<b>2.6</b>
<b>Controllable costs</b>			
Personnel	734	595	23.4
□ Post-employment obligations	116	111	4.5
□ Materials	59	73	(19.2)
□ Outsourced services	329	313	5.1
□ Operational provisions	109	133	(18.0)
Employee profit shares	150	187	(19.8)
Depreciation and amortization	367	364	0.8
Other expenses, net	141	132	6.8
	<b>2,005</b>	<b>1,908</b>	<b>5.1</b>
	<b>5,408</b>	<b>5,224</b>	<b>3.5</b>

### Non-controllable costs

The amounts of non-controllable costs and expenses posted in the income statement refer to the amounts that were actually used in the composition of the calculation of the tariff to be applied.

The differences between the sum of non-controllable costs (included in portion “A” of the tariff adjustment) that were included in the tariff adjustment calculation and the disbursements actually incurred are compensated in the subsequent tariff adjustments, by means of a mechanism called *Compensation for Variation in Portion “A” Items* (CVA, *Compensação da Variação dos itens da Portion “A”*).

If the company disbursed values above what were considered in the tariff, these differences are recorded in Current assets and in Long term receivables as anticipated expenses; otherwise, they are considered as liabilities in Current liabilities and Long-term liabilities.

This table shows the CVA amounts included and excluded from the 2005 results:

	Operational expenses without the effects of CVA	CVA amounts included in the income statement for the period (*)	CVA amounts not included in the income statement for the period (**)	Expense actually recognized in the result for the period
Energy purchased for resale	1,889	150	(58)	1,981
Financial compensation for use of water resources	-	12	-	12
CCC – Fuel Consumption Account	475	(12)	(20)	443
Charges for the use of the basic transmission grid	393	7	115	515
CDE – Energy Development Account	291	10	(7)	294
Energy efficiency and research and development	158	-	-	158
<b>Total</b>	<b>3,206</b>	<b>167</b>	<b>30</b>	<b>3,403</b>

(\*) These are non-controllable costs that are components of the CVA that were transferred to the income statement as a result of their inclusion in the calculation of the tariff adjustment of Cemig Distribuição.

(\*\*) These are variations in non-controllable costs that are components of the CVA and were not included in the calculation of the tariff adjustment of Cemig Distribuição, thus being excluded from the result.

### Electricity purchased for resale

A significant part of the electricity purchased for resale is from the Itaipu plant. The rest is made up of purchases through energy auctions and bilateral contracts. The breakdown of energy bought can be seen in Explanatory Note 25 to the financial statements.

### Fuel Consumption Account – CCC

The CCC expense refers to the cost of operation of thermal plants of the Brazilian grid and isolated systems, shared between electricity concession holders, amounts being set by an ANEEL Resolution.

### Charges for the use of the transmission network

Charges for use of the transmission network are payable by electricity distribution and generation agents for the use of the facilities that make up the basic grid, amounts being set by an ANEEL

Resolution.

### **Energy Development Account – CDE**

Due to a new interpretation by ANEEL in relation to the criteria for constitution of the CVA relating to the charges for use of the transmission network in the basic grid, in the first quarter of 2006 Cemig reversed the portion of the CVA constituted in 2005 in the amount R\$ 93 million, which contributed to the increase in the value of the expense in 2006.

### **Controllable costs**

#### **Personnel expenses**

The variation in personnel expenses was a result of the following factors:

- Provision for the integrity to employees for their future “anuênio” benefits, agreed in June 2006, in the amount R\$ 127 million.
- Salary adjustment of 76% in November 2005 (full effect in 2006).
- Salary adjustment of 4.0% in November 2006;
- Increase in the number of employees from 7,833 in December 2005 to 8,064 in December 2006.
- Greater transfer of personnel costs to fixed assets as a function of the works of the *Light for Everyone* program (R\$ 129 million in 2006, vs. R\$ 80 million in 2005).

The breakdown of personnel expenses can be seen in Explanatory Note 25 to the financial statements.

#### **Post-employment obligations**

Expenses on post employment liabilities increased as a result of the cost of implementation of dental care planned by the company in 2006, which generated an additional expense of R\$ 7 million.

#### **Operational provisions**

The reduction in operational provisions was mainly due to a credit of R\$ 23 million posted in the third quarter of 2005 receivable from an industrial consumer, fully provisioned as a result of the uncertainty on whether it would be received.

#### **Energy Efficiency, and Research and Development**

Under the regulations of the electricity sector, electricity distribution and generation companies have to invest 1.00% of their net sales revenue in electricity efficiency programs and R&D. Some of the electricity efficiency and R&D programs related to the revenue for previous periods have not yet been completed by the public sector agents, and there are expenses to be realized. This delay arises from the time used in preparation of the projects and approval by ANEEL.

In compliance with instructions from ANEEL, Cemig recognized expenses to be realized in the future, for which it had already received the corresponding tariff in previous years in the amount R\$ 30 million, as an expense in the 2005 income statement. This is reflected in the significant variation in the expense between the two years.

It should be emphasized that in 2006 the company also posted an additional amount, of R\$ 81 million, for values from previous years that were invested in fixed assets and which according to a decision by ANEEL should have been registered in the Income statement.

This table gives the breakdown of Ebitda (earnings before interest, tax, depreciation and amortization):

R\$ '000	2006	2005	Change, %
Net profit	770	990	(22.2)
+ Provision for income tax and Social Contribution	300	398	(24.6)
+ Non-operational revenue (expenses)	25	31	(19.4)
+ Financial revenue (expenses)	(7)	(26)	(73.1)
- Reversal of Interest on Equity	(182)	(221)	(17.6)
+ Amortization and appreciation	367	364	0.8
<b>= EBITDA</b>	<b>1,273</b>	<b>1,536</b>	<b>(17.1)</b>
Non-recurring items:			
- Deferred Tariff Adjustment	-	(488)	-
+ Expenditure on energy efficiency in prior years	81	92	(12.0)
+ Recomposition - CVA on TUSD	93	-	-
+ Anuênio	127	-	-
- Reversal of provision for RGR	(28)	-	-
<b>= ADJUSTED EBITDA</b>	<b>1,546</b>	<b>1,140</b>	<b>35.61</b>

( \* ) Non-re-occurring adjustments correspond to the company's interpretation of events that it deems to be extraordinary, not related to current operations.

### Financial revenue (expenses)

Net financial revenue was R\$ 7 million, compared to R\$ 26 million in 2005. The main factors impacting the financial result are as follows:

- ❑ The increase of R\$ 45 million in the revenue from penalty payments for late payments of electricity bills, R\$ 124 million in 2006, compared to R\$ 79 million in 2005.
- ❑ Monetary variation revenue under the general agreement for the electricity sector in 2006 in the amount R\$ 202 million, compared to R\$ 269 million in 2005, a reduction of 24.9%. This reduction is principally due to the lower variation in the Selic rate the indexor for assets, in 2006.
- ❑ Revenue from monetary variation and interest applicable to the deferred tariff adjustment in 2006 was R\$ 195 million, compared to R\$ 229 million in 2005, a reduction of 14.9%. In the previous years Cemig Distribuição posted higher revenue due to the publication of the final result of Cemig's tariff review, which resulted in the posting of a regulatory asset entitled "Deferred Tariff Adjustment" and in the updating of this asset back dated to the year 2003. For more information, see Explanatory Note 11 to the financial statements.
- ❑ Net gains on FX variations of R\$ 65 million in 2006, compared to net gains of R\$ 83 million in 2005, basically resulting from loans and financing in foreign currency. This variation arises mainly from the reduction of the debtor balance in foreign currency and the exchange rate variation. The Real appreciated by 8.66% against the US dollar in 2006 in comparison to appreciation of 11.82% in 2005.

- ❑ 24.9% increase in loan charges on loans and financings (R\$ 271 million in 2006, and R\$ 217 million in 2005), due to the criteria for rollover of the company's debt, with substitution of various debt contracts in foreign currencies by contracts in domestic currency, from the second half of 2005. The loans that are updated by the Selic rate have their variations fully posted as loan costs.
- ❑ Net loss on financial instruments used in hedge transactions in 2006, in the amount R\$ 76 million, compared to a net loss of R\$ 86 million in 2005. This result arises from the FX variation mentioned in the previous item.
- ❑ The company posted, as a financial expense, the allocation of interest on equity in substitution of the dividends for 2006 in the amount of R\$ 182 million (R\$ 221 million in 2005).

The breakdown of financial revenue and expenses can be seen in Explanatory Note 26 to the financial statements.

### **Income tax and Social Contribution**

In 2006, Cemig Distribuição posted Income tax and Social Contribution expenses in the amount of R\$ 300 million in relation to the profit of R\$ 887 million before tax, a percentage of 33.8%. In 2005 the company calculated expenses on income tax and the Social Contribution in the amount R\$ 398 million, on profit of R\$ 1,167 million, before tax effects – a percentage of 34.1%. The actual taxes are reconciled with the nominal taxes in Explanatory Note 10 to the financial statements.



**LIQUIDITY AND CASH FLOW**

The company's cash position at the end of the year was R\$ 214 million (vs. R\$ 533 million in 2005).

Cash generated by operations was R\$ 1,268 million (vs. R\$ 959 million in 2005), the principal positive factor being net profit adjusted for revenues and expenses not affecting cash, in the value of R\$ 1.094 billion in 2006 and R\$ 849 million in 2005.

Financing activities resulted in an outflow of net cash totaling R\$ 668 million, arising from loans and financings obtained in the amount of R\$ 710 million, against amortizations in the amount of R\$ 410 million in payment of Interest on Equity and dividends in the amount of R\$ 968 million. Disbursements on financing activities in 2005 were less than the funds raised, resulting in net cash inflow of R\$ 420 million.

The company made capital expenditure of R\$ 919 million in 2006, principally related to the Light for Everyone program (on which there are comments in more detail below).

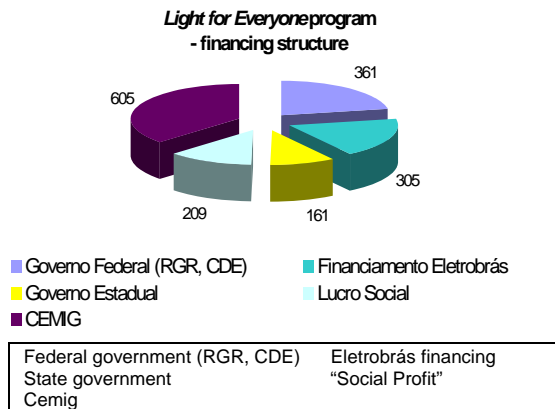
**CAPITAL EXPENDITURE**

The company's Works Priority Committee analyzes the expansion projects in the five-year business plan, and recommends their execution to the Executive Board in such a way as to guarantee the minimum return demanded by the Board of Directors is achieved.

The Light For Everyone program – Universalization of electricity access and use

“Universalization” of access to and use of electricity became mandatory by federal law, which delegated establishment of goals to Aneel. Under these goals, connections were to be completely free of charge for new consumers requesting service with load of up to 50kW at low voltage.

The program, created by the federal government in 2003 and called *Luz para Todos* (“Light For Everyone”), aimed to bring forward the goal of completing 100% of Brazil's electrification by 2008, without charge to the consumer.



The program was originally formatted with a budget estimated by Cemig at R\$ 1,761 billion, it being necessary to construct 65,000 km of rural network to serve 176,000 clients.

Of the budget estimated for the program, 22% of the funds are passed through from the Energy Development Account (CDE) – from the federal government; 18.6% are financings from ELETROBRÁS (to be paid by Cemig; 9.8% from ICMS (state government) tax benefits; and 49.6% from Cemig's own funds.)

In June 2005, Cemig Distribuição signed agreements with contractors experienced in integrating large enterprises, to connect approximately 140,000 rural clients of the potential market identified in the concession area, on a partial contract basis.

The Light for Everyone program in Minas Gerais, executed by Cemig, is the fourth largest in the country, in terms of the potential market to be served. As a result of the continuous increase in the

potential market for service in the whole state due to the occurrence of sub-division of properties, construction of new homes, and indeed of natural growth, the execution of the program will continue in 2007 and 2008. The potential market estimated in 2006 is already at 270,000 rural properties.

At the end of 2006, 113 municipalities already had their works concluded in accordance with the potential market initially planned for; and a further 446 municipalities had their works in progress. Approximately 87,000 rural properties were connected in 2006.

#### The "Fields of Light" program

This program, with budget of R\$ 18 million, of which R\$ 9 million will come from Cemig Distribuição, aims to encourage practice of sports at night by illuminating local community football fields, under a working agreement between CEMIG and the Minas Gerais state government. Not only does illumination of football fields at night make possible the practice of sports at night, but there has also been a significant reduction in violence and crime in the areas around these playing fields. The research institute *Olhar* reports that 92% of local residents interviewed approved the illumination of the field in their community. By the end of 2006, 457 fields had been illuminated, 301 of them in 2006.

#### **Public Lighting Improvement Projects**

The principal aim of this program is to modernize the public lighting systems with the introduction of more efficient technology, with a view to reduction of electricity at peak hours of the system, reducing expenses on operation and maintenance and increasing safety on public roads.

About 150,000 public illumination points were modernized in 2006, mainly in Belo Horizonte, with capital expenditure of R\$ 35 million, resulting in an annual reduction of 4,760 KW in demand, 21,000 MWh in electricity consumption and approximately R\$ 3 million in the annual electricity billing of municipal prefectures.

The projects to make public illumination more efficient consists of replacement of vapor-based lamps, reactors, relays and lamp housings with sodium-based equipment.

The project for illumination of the MG-010 Highway was also negotiated. This is the main access from Belo Horizonte to the Tancredo Neves International Airport at Confins. Approximately 8.77 km of the underground distribution network has been put in place, to feed the public illumination system on the 22.54 km of the highway between Belo Horizonte and the airport. This project complemented the expansion of the public illumination in this important city traffic corridor with the use of more efficient technology, serving the parts not previously illuminated, totaling about 13.76 km of expansion of the network, at a total cost of R\$ 2 million.

#### The Cresce Minas Program

As a result of a diagnosis of the electricity distribution system to meet the requirements of the market and the regulatory bodies, a program of works called *Cresce Minas* ("Minas Grows") was put in place. This program is to be carried out in three years, from 2006, for total value of R\$ 759 million. It will:

- re-establish conditions in the electricity system to meet the requirements of the Minas Gerais market in a context of resumed growth;
- expand the system for irrigation and agribusiness;
- recuperate operational conditions in the transmission and distribution system;
- and keep the levels of service quality within the regulated parameters.

This group of works will benefit approximately 340 municipalities (41% of the total), a population of approximately 4.1 million and around 1.1 million consumers in the whole state.

Of this amount, the value of capital expenditure with our own funds for 2006, solely to strengthen the medium-voltage distribution network, was R\$ 13.2 million, of a total of R\$ 270.8 million, which will be completed with turnkey works in 2007, 2008 and 2009.

#### The citrus-growing center of the “Minas Triangle”

Works with total cost of R\$ 26.3 million on the sub-transmission and medium-voltage distribution facilities to serve the citrus growing center of the “Minas Triangle” will aim to make energy available for loads required for irrigation, to increase and consolidate the growth of regional agribusiness for producers of oranges and other crops, as part of the state government's *Irrigate Minas* program. It is estimated that approximately 26 properties, over an area of 9,036 hectares with demand of 19 MVA, will be benefited.

## **MANAGEMENT**

### **Management systems**

As from establishment of the Corporate Strategic Plan, Cemig Distribuição puts in place the vision, mission and strategic guidelines of Cemig in all its processes using the Balanced Scorecard (BSC) System.

Decisions on objectives, indicators and targets are made in each Superintendent's Department and management office of Cemig Distribuição, providing the input for the Contribution Panel and establishing the initiatives that will guide the actions of these areas for the purpose of materializing the strategy.

Events are held all over the state to communicate the strategy, with presentation of the strategic planning, and specific “contracting” of targets, making the performance required a formal matter and committing managers and employees to the corporate objectives and results.

Also at the operational level, the performance of the areas in relation to reaching the objectives is assessed through Critical Analysis Meetings (CAMs) which aim to verify compliance with the strategic actions planned, ensuring that they continue to be relevant and on target, appropriate and efficacious in relation to the continuous improvement of the system, products, services and processes involved.

At the strategic level, Strategic Analysis Meetings (SAMs) are held, which analyze the strategic plan, monitor compliance with the budget targets, assess the performance of the strategic indicators and macro initiatives; and from this as a starting point, adjust the action being taken.

Concluding the management model cycle, Internal Audits are carried out to assess the integrity, appropriateness and applicability of all the resources used to put in place the processes of the distribution and sale business, and also adaptation of the routine actions to the management system adopted.

In terms of daily operations, practically 80% of the company's employees work with management systems that are certified under the ISO 9001:2000 international quality standard, permeating the principal processes of the business.

The Environmental Management System, with certification under standard ISO 14001:2004, serves more than 130 cities and was included in the pilot certification carried out on the commercial and services relationship management department at Montes Claros, involving the quality management

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systems, environment, and health and safety, all with certification recognized internationally.

### Management of clients

In April 2006 the *Evolution* project to implement the new client management system was begun. This aims to replace all the company's principal information systems involved in the processing of billing, collection, service, accounting, field services, management of measuring equipment, and issuance and printing of electricity tax invoices and reports. The project is scheduled for completion in 2008, on capital expenditure of R\$ 178 million.

Among the program's main objectives are greater control and security in the processes of billing and collection, with integrated and precise information to support the control and management of clients.

### **Telecom and information systems**

#### Governance in information technology

In 2006 the IT governance program was put in place, using a group of mechanisms (structures, processes and relationships) which aims to ensure that the IT strategy is in line with the organization's strategies and objectives.

The IT governance projects will make possible alignment of the telecommunication and information technology with the business activities, helping them to take advantage of opportunities and maximize benefits, effectively manage the risks inherent to the IT processes, increase the quality of the telecommunications and information technology services provided, and optimize costs. It also makes it possible to meet the regulatory requirements imposed on IT, such as those under the Sarbanes-Oxley law. The three main elements of the implementation work are: behavioral, organizational, and technical-operational.

#### Segregation of the Sap R/3 and Mainframe (Sico/Proorc) functions

It was found that to meet the demands of the Sarbanes-Oxley law and IT corporate governance, there was a need to implement business rules enabling the control of risks in Cemig's SAP R/3 and Mainframe systems, adapting the processes to the corporate governance/SOX rules.

This project will provide mapping of the combinations of critical accesses in the environments, indicating the degree of vulnerability existing in the processes, with reduction of risks and the possibility of frauds, enhancing credibility in the existing internal controls, providing control of critical accesses to the environments, and control of the transactions accessed by users, and speed in generating and making available management information.

#### Corporate applications

Two facilities were put in place for compliance with the 2002 Sarbanes-Oxley Law: the *Management of Internal Controls* module (MIC), used in the internal systems and control management; and the management system of the Equipment Release plan, to help the engineering area during high voltage operations.

In continuity of the Geocemig project, the Grid software was acquired, which analyzes three-dimensional images, helping engineering operations in transmission line and dam projects. Geocemig is a geo-referenced information system of Cemig that brings together innumerable data banks and graphical systems that use mapping, cartography and geo-processing equipment separately

developed in the company.

The database was updated and GPRS (cellular) technology made available for communication between the operation centers and the vehicles responsible for carrying out secondary electricity network services in the field, through additions to the application that currently controls distribution and execution of field services.

#### ERP-SAP Integrated Management System Migration Project

Continuing the ERP-SAP migration project, strategic modules were deployed to make possible:

- simulation and execution of expense and revenue budget planning, integrated with SAP R/3 (Business Planning and Simulation – BPS);
- automation of Balanced Scorecard maps in place at Cemig Geração e Transmissão; and
- implementation of planned Corporate Finance Management (CFM/LP) cash flow budgeting, simulation, commitment and execution.

#### Corporate Information Security Plan

As part of the corporate information security projects planned, priority was given to projects needed to comply with the safety controls demanded by the Sarbanes-Oxley Law, and these were put in place. We highlight the projects for Critical Analysis and Validation of Rights of Access to the Information System, and the Security Operation Center.

Continuing the program of awareness begun in 2005, Internet self-instruction training in information security was put in place.

A seminar was held in October targeted to managers, superintendents, Directors and Members of the Board of Directors, dealing with the themes of information security, and third party liability of management individuals. This included contributions from specialists in computer and information law.

### PROFIT ALLOCATION PROPOSAL

The Board of Directors will propose to the next Annual General Meeting, to be held in April 2007, that the net profit for the year, in the amount of R\$ 770 million, be allocated as follows:

- R\$ 731 million (95% of the net profit) for payment of dividends, of which R\$ 182 million in the form of Interest on Equity, and R\$ 549 million in the form of complementary dividends.
- R\$ 39 million (5% of the net profit) for constitution of the Legal Reserve.

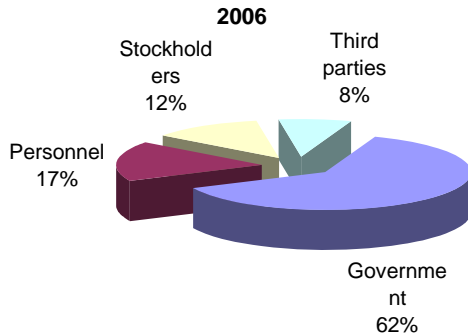
### RELATIONSHIP WITH AUDITORS

On principle we do not contract with external auditors for consulting services that might interfere with the independence of their work.

In 2006 the outside auditors of Cemig Distribuição did not provide any type of consultancy service.

**SOCIAL RESPONSIBILITY**

**Added value**



The Added Value Statement shows the importance of the company for society as a whole, with R\$ 6.600 billion of added value.

The distribution of added value between the various segments is shown in the chart, and we highlight the percentage of 62% retained by government – of the total distributed in 2006.

**Human resources**

To make our human capital policies and practices more aligned with our HR processes, and more compliant with the company's Strategic Plan, we developed our Human Capital Alignment Model, on the basis of the company's vision and mission, the central element of which is Performance Management.

With the implementation of the Performance Management Model and more strategic approach and activity in human resources, it has been possible to link business strategy to the various processes of people management on a permanent basis, serving as a base for various initiatives and changes in our human resources area, such as re-postings based on performance, external competitions, a trainee program, internal mobility, various training and development programs, and management of the organizational climate – among others.

Performance Management

This process feeds and is a part of the other processes of people management. The model adopted involves treatment of competencies and results, providing inputs for taking of critical decisions related to people management. We seek to achieve strategic management of competencies, the giving of value to employees and their commitment to the organization's results, leading to solutions that create value for its businesses.

In 2005 two types of strategic competencies had been defined, and mapped: essential competencies, and leadership competencies. In the first half of 2006 we defined the third and last type of strategic competencies, technical competencies, which are linked to the activities of the organization and directly related to the business's value chain.

Training and development

Aiming to have and maintain a staff whose development is compatible with the corporation's needs and in accordance with the requirements of the market, the company provided employees, of varying hierarchal levels, with participation in numerous courses, seminars, congresses, trade fairs and other events and practices.

We launched the Cemig Leadership in Management (Celig) program in 2006. This centers on the development of competencies with a view to preparation of professionals to deal with the company's transformations today and in the future. Also, in partnership with institutions that are specialized in

management development, we continued the Advanced Management Program (APG), a training program focused exclusively on management. These programs are directed to key people in the company, and several managers and Superintendents took part in the training during the year of 2006.

Continuing with our aim of having and maintaining a staff with development compatible with the company's needs, and in constant training, development, improvement and specialization, we provided employees with technical training in the Cemig Professional Training and Improvement School (EFAP).

Also to meet the company's needs arising from the emergence of new technologies, equipment and methods of work, various training and development actions were implemented, including training in information technology and administration, external training, postgraduate courses, and language courses. In 2006 there were 13,507 attendances by the company's employees.

#### Management of organizational atmosphere

Continuing our Organizational Atmosphere Survey first taken in 2005, the first half of 2006 was dedicated to planning of improvement actions. A Corporate Action Plan, and plans of action for the Superintendents' departments and management departments, were prepared.

The great achievement of 2006 in this area of organizational atmosphere management was the classification of Cemig among the 150 best companies to work for in Brazil, according to *Guia Exame – Você S.A.* The survey was based on factors such as work happiness index, quality of the work environment, employees' opinions about the company, and what is offered in terms of remuneration, professional career, health, social responsibility, and other items.

#### Health, wellbeing and safety at work

In an innovative initiative Cemig completely restructured its Work Safety and Medicine Engineering Specialized Services (SESMT), adding social assistance and psychologists to the professional teams involved, rescaling, recycling and integration of professional staff, to improve their performance in matters related to health, work safety and wellbeing for our own employees, as well of those of outsourced contractors, and also the safety of the public.

Actions relating to the revision of safety clauses at work and inclusion of work social and medical clauses in contracts: various safety training sessions were held in 2006 for our own staff, and partnerships made for inclusion of staff of outsourced contractors in these recycling procedures, certification of several plants under OHSAS 18001, improvement of the *Energia Vital* quality of life program, implementation of the Disabled Inclusion Program, vaccination and blood donor campaigns, and seminars on preparation for retirement. All these efforts went toward improvement of the company's performance in health, safety and wellbeing indicators.

Through coordination and participation in regional and national events such as the First Electricity Staff Rodeo, the National Seminar on Electricity Sector Safety, and National Electricity Safety Week, the company once again reaffirmed its commitment to safety, the health and wellbeing of its workers, and the safety of the population.

#### **Culture**

In 2006 Cemig Distribuição invested approximately R\$ 13 million in culture and social actions, directly benefiting the population of more than 200 municipalities, in Minas Gerais. The majority of the projects are continuous, or involve maintenance of permanent cultural spaces, which underlines the concept of sustainability, a decisive factor in construction of the identity and dignity of the citizen.

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## Environment

The commitment to the environment and quality of life of society is one of the basic principles that guide the operations of Cemig Distribuição. Through studies and actions, the company seeks to make employees and partners aware of the environmental issue. This attitude, present in all activities we perform, values employees and contributes to sustainable development.

In 2006 Cemig Distribuição invested R\$ 5,808 million in environmental adaptation of facilities and equipment, and installation of new projects. The company spent R\$ 3 million in operational and maintenance expenses, including: final waste disposal, audits, riverside forest planting, production of minnows, implementation of tree pruning, oil policies, environmental education programs, maintenance of conservation units, and training.

### Materials

Cemig Distribuição continued to take special care in management of materials in 2006. We highlight the recycling of fluorescent lamps and public illumination throughout the company's concession area, totaling 305,000 lamps. Also, some 946,000 liters of insulating oil extracted from retired transformers was regenerated.

### Cemig Verde Minas

The *Cemig Verde Minas* program was created to be a tool for planning, monitoring and control of the company's structures and its interaction with the environment, defining interrelations between protected areas and the company's electricity system. It aims to identify all the protective areas created and managed by the federal, state and municipal governments (parks, forests, ecology stations, APAs, RPPNs, indigenous villages, etc.). One key tool is construction of a database made up of geo-referenced maps and prepared on the basis of laws, decrees, Ministerial Orders and their Descriptive Schedules. This databank will be continually updated and revised, as and when areas are created or cancelled, enlarged or reduced.

The project's approach of prior consideration of the environmental restrictions, for future taking of decisions, is an innovation in Brazil in terms of execution of planning.

### Urban landscaping

Following Cemig Distribuição guidelines to reduce interruptions to power supply caused by trees on the urban distribution grid, we have trained and enabled around 350 professionals from the company, from hired contractors and from municipalities, in urban tree pruning techniques and urban landscaping.

In addition, continuing the partnership with the Belo Horizonte municipal administration, Viçosa Federal University and Paraná Federal University, we developed methods of assessing trees at risk of falling. The purpose is to anticipate replacing these trees, avoiding damages to people, vehicles and the grid.

In 2006 Cemig Distribuição produced 25,000 seedlings and 300kg of seeds for urban planting. All the material is provided to the municipal prefectures, and related companies, free of charge.

## Recognition – Awards

### Carta Capital and TNS Interscience - "Most Admired Company in Brazil"

Cemig was named by Carta Capital/TNS Interscience, as the "Most Admired Company" in 2006 among 23 electricity generators and distributors in the "energy suppliers" segment. Interviewees



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assessed the companies in the sector on 11 parameters: "Competing globally", "Commitment to Brazil", "Commitment to HR", "Ethical", "Innovation", "Fame", "Management quality", "Quality of products and services", "Respect for The consumer", "Social responsibility", and "Financial solidity".

#### Dow Jones

For the seventh consecutive year Cemig was included in the Dow Jones Sustainability World Index (DJSI) with a mention as outstanding in the three aspects: social, environmental and economic. The DJSI has become one of the indicators most trusted by investors all over the world. It takes into consideration not only the company's financial performance but, principally, the aspects of a company's social responsibility policy – preservation of the environment, social-cultural investment and integration with the community.

#### The 2006 Exame - Você S.A. "List of Brazil's 150 Best Companies to Work For"

In conjunction with Cemig and Cemig Geração e Transmissão S. A., Cemig Distribuição was included in the list of the 150 best companies in Brazil to work for, by the survey made by the *Exame – Você S.A. 2006 Guide*. Competing with more than 500 Brazilian companies, this is the first time that Cemig has achieved this result. The Guide, among other advantages, mentioned the strong salary policy, and employment stability.

**SOCIAL STATEMENT**  
**CEMIG DISTRIBUIÇÃO**

1 - Basis of calculations		2006			2005		
		R\$ '000			R\$ '000		
Net sales revenue (NR)	R\$ '000			6,314,222			6,393,847
Operating result (OR)	R\$ '000			905,995			1,172,211
Gross payroll (GP)	R\$ '000			613,735			562,619
2 - Internal social indicators		R\$ '000	% of GP	% of NR	R\$ '000	% of GP	% of NR
Food		53,349	8.69	0.84	32,112	5.71	0.50
Mandatory charges and payments based on payroll		165,812	27.02	2.63	156,382	27.80	2.44
Private pension plan		115,793	18.87	1.83	111,189	19.76	1.74
Health		21,874	3.56	0.35	19,312	3.43	0.30
Safety and medicine in the workplace		7,429	1.21	0.12	2,176	0.39	0.03
Education		461	0.08	0.01	450	0.08	0.01
Culture		-	-	-	-	-	-
Training and professional development		11,295	1.84	0.18	9,812	1.74	0.15
Provision of or assistance for day-care centers		1,157	0.19	0.02	1,169	0.21	0.02
Profit sharing		150,432	24.51	2.38	187,477	33.32	2.93
Other		7,833	1.28	0.12	10,125	1.80	0.16
Internal social indicators - Total		535,435	87.24	8.48	530,204	94.24	8.28
3 - External social indicators		R\$ '000	% of GP	% of NR	R\$ '000	% of GP	% of NR
Education		-	-	-	4,180	0.36	0.07
Culture		13,029	1.44	0.21	9,117	0.78	0.14
Other donations/subventions/ASIN project		28,516	3.15	0.45	18,860	1.61	0.29
<b>Total contributions to society</b>		41,545	4.59	0.66	32,157	2.74	0.50
Taxes (excluding payroll taxes)		4,163,999	459.61	65.95	4,188,978	357.36	65.49
External social indicators - Total		4,205,544	464.19	66.60	4,221,135	360.10	65.99
4 - Environmental indicators		R\$ '000	% of GP	% of NR	R\$ '000	% of GP	% of NR
Capital expenditure related to company operations		5,808	0.64	0.09	6,157	0.53	0.10
<b>Total investment in the environment</b>		5,808	0.64	0.09	6,157	0.53	0.10
In relation to setting of annual targets to minimize toxic waste and consumption during operations, and increasing the efficacy of use of natural resources, the company:		<input type="checkbox"/> (X) has no targets 0-50% of targets <input type="checkbox"/> meets		<input type="checkbox"/> ( ) meets 51-75% <input type="checkbox"/> meets 76-100%	<input type="checkbox"/> ( ) has no targets 50% of targets <input type="checkbox"/> meets 0-76-100%		<input type="checkbox"/> ( ) meets 51-75% <input type="checkbox"/> meets 76-100%
5 - Workforce indicators							
Number of employees at end of period			8,064			7,868	
Number of hirings during period			318			73	
Number of outsourced employees			ND			ND	
Number of interns			367			441	
Number of employees over 45 years old			2,437			2,156	
Number of women employed			1,030			981	
% of supervisory positions held by women			7.70			7.32	
Number of African-Brazilian employees			2,517			2,439	
Number of supervisory positions held by African-Brazilians			8.79%			10.96%	
Number of employees with disabilities			ND			ND	
6 - Corporate citizenship		2006			2007 targets		
Ratio of highest to lowest compensation			18,05			ND	
Total number of work accidents <sup>4</sup>			88			ND	
Who selects the social and environmental projects developed by the company?	<input type="checkbox"/> ( ) senior management	<input checked="" type="checkbox"/> (x) senior management and functional managers	<input type="checkbox"/> ( ) all employees	<input type="checkbox"/> ( ) senior management	<input checked="" type="checkbox"/> (x) senior management and functional managers	<input type="checkbox"/> ( ) all employees	
Who decides the company's work environment health and safety standards?	<input type="checkbox"/> ( ) senior management and functional managers	<input checked="" type="checkbox"/> (x) all employees	<input type="checkbox"/> ( ) All + CIPA	<input type="checkbox"/> ( ) senior management and functional managers	<input checked="" type="checkbox"/> (x) all employees	<input type="checkbox"/> ( ) All + CIPA	
In relation to labor union freedom, the right to collective bargaining and/or internal employee representation, the company:	<input type="checkbox"/> ( ) doesn't get involved	<input checked="" type="checkbox"/> (x) follows ILO rules	<input type="checkbox"/> ( ) encourages and follows ILO	<input type="checkbox"/> ( ) will not get involved	<input checked="" type="checkbox"/> (x) will follow ILO rules	<input type="checkbox"/> ( ) will encourage and follow ILO	
The company pension plan covers:	<input type="checkbox"/> ( ) senior management	<input type="checkbox"/> ( ) senior management and functional managers	<input checked="" type="checkbox"/> (x) all employees	<input type="checkbox"/> ( ) senior management	<input type="checkbox"/> ( ) senior management and functional managers	<input type="checkbox"/> ( ) all employees	
The profit-sharing program covers:	<input type="checkbox"/> ( ) senior management	<input type="checkbox"/> ( ) senior management and functional managers	<input checked="" type="checkbox"/> (x) all employees	<input type="checkbox"/> ( ) senior management	<input type="checkbox"/> ( ) senior management and functional managers	<input type="checkbox"/> ( ) all employees	

In selection of suppliers, the standards of ethics and social and environmental responsibility adopted by the company:	( ) are not considered	( ) are suggested	( x ) are required	( ) will not be considered	( ) will be suggested	( x ) will be required
In relation to volunteer work by employees, the company:	( ) doesn't get involved	( ) supports	( x ) organizes and encourages	( ) will not get involved	( ) will support	( x ) will organize and encourage
Total number of consumer complaints and criticisms raised:	at Company NA	at Procon NA	in Court NA	at Company NA	at Procon NA	in Court NA
% of complaints and criticisms met or solved:	at Company NA %	at Procon NA %	in Court NA %	at Company NA %	at Procon NA %	in Court NA %
Ratio of highest to lowest compensation	In 2006: 6.599.978			In 2007:		
Total number of work accidents <sup>4</sup>	62.76% government 11.39% stockholders	16.79% employees 8.46% third parties	0.60 % retained	NA% government NA% stockholders	NA% employees (as) NA% third parties	NA% retained
<b>7 - Other information</b>						
I. Waste generated is quantified in accordance with corporate procedures for handling, transport, storage and disposal. These procedures are developing in the direction of setting of annual targets for waste reduction.						
II. We highlight the recycling of fluorescent lamps and public illumination throughout the company's concession area, totaling 305,000 lamps at the end of the year. Also approx. 629,000 liters of insulating oil from deactivated transformers was recycled.						
III. We quantify electricity and fuel consumption annually and do not have reduction targets. Directors and Unions are working on targets for consumption of water per employee.						

## CEMIG DISTRIBUIÇÃO IN NUMBERS

	2005	2006
<b>Service</b>		
Number of consumers ( thousands )	6,010	6,240
Number of employees	7,833	8,064
Number of consumers per employee	767	774
Number of locations served	5,415	5,415
Number of municipalities served	774	774
<b>Market</b>		
Concession area ( km <sup>2</sup> )	567,740	569,656
Average residential consumption ( kWh / year)	1,337	1,313
Average supply tariffs – including ICMS ( R\$/MWh )		
Residential	474,20	496,62
Commercial	410,76	436,25
Industrial	268,52	293,86
Rural	248,84	265,36
DEC = Average hours of outages per year	12.21	13.02
FEC = Average number of outages per year	6.78	6.42
Average minutes of outages per month per consumer	61	65
<b>Operational</b>		
Number of substations	354	355
Sub-transmission lines (Km)	16,040	16,376
Distribution lines (Km)		
Urban	84,585	85,480
Rural	294,815	308,689
<b>Operational</b>		
Number of substations	354	355
Sub-transmission lines (Km)	16.040	16.376
Distribution lines (Km)		
Urban	84.585	85.480
Rural	294.815	308.689
<b>Financial</b>		
Operational revenue – R\$ million	9.275	9.283
Net operational revenue – R\$ million	6.397	6.314
Operating margin - %	18,32	14,35
Ebitda - R\$ million	1.536	1.273

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Net profit - R\$ million	990	770
Net profit per 1,000 shares	437,72	340,22
Stockholders' equity - R\$ million	2.312	2.350
Stockholders' equity per thousand shares	1.022	1.039
ROE %	74,93	48,69
Debt / equity - %	300,41	302,02
Current liquidity	1,10	1,08
General liquidity	0,87	0,80

**MEMBERS OF BOARDS****BOARD OF DIRECTORS****Permanent members**

Wilson Nélio Brumer  
Djalma Bastos de Moraes  
Aécio Ferreira da Cunha  
Alexandre Heringer Lisboa  
Antônio Adriano Silva  
Francelino Pereira dos Santos  
Maria Estela Kubitschek Lopes  
Nilo Barroso Neto  
Wilton de Medeiros Daher  
Carlos Augusto Leite Brandão  
Andréa Paula Fernandes Pansa  
Evandro Veiga Negrão de Lima  
José Augusto Pimentel Pessoa  
Haroldo Guimarães Brasil

**Substitute members**

Fernando Lage de Melo  
Luiz Antônio Athayde Vasconcelos  
Eduardo Lery Vieira  
Franklin Moreira Gonçalves  
Lauro Sérgio Vasconcelos David  
Marco Antônio Rodrigues da Cunha  
Luiz Henrique de Castro Carvalho  
Guilherme Horta Gonçalves Júnior  
Luiz Aníbal de Lima Fernandes  
Eduardo Leite Hoffmann  
Maria Amália Delfim de Melo  
Andréa Leandro Silva  
Eduardo Castilho Vasconcellos Costa  
Antônio Renato do Nascimento

**AUDIT BOARD****Permanent members**

Aristóteles Luiz Menezes Vasconcellos Drummond  
Luiz Guaritá Neto  
Luiz Otávio Nunes West  
Ari Barcelos da Silva  
Thales de Souza Ramos Filho

**Substitute members**

Marcus Eolo de Lamounier Bicalho  
Ronald Gastão Andrade Reis  
Augusto Cesar Calazans Lopes  
Carlos Volpe de Paiva  
Aliomar Silva Lima

**EXECUTIVE OFFICERS**

Name

Function

**Djalma Bastos de Moraes****CEO****Djalma Bastos de Moraes****Vice-Chairman****José Carlos de Matos****Chief Planning, Projects and Construction Officer****Fernando Henrique Schüffner Neto****Director****Luiz Fernando Rolla****Chief Financial, Holdings and Investor Relations Officer****José Maria de Macedo****Chief Distribution and Sales Officer****Marco Antonio Rodrigues da Cunha****Chief Corporate Management Officer**

## Financial statements

(Source: Standardized Financial Statements (DFPs) at 31/12/06 filed with the CVM.)

### CEMIG DISTRIBUIÇÃO S.A. – Corporate Law accounting method – R\$ '000

ASSETS		31/12/2006	AV	31/12/2005	AV
1	Total assets	9,447,368	100.0%	9,255,552	100.0%
1.01	Current assets	3,835,826	40.6%	3,430,234	37.1%
1.01.01	Cash & cash equivalents	214,103	2.3%	533,261	5.8%
1.01.02	Credits	3,482,656	36.9%	2,774,228	30.0%
1.01.02.01	Clients	1,714,534	18.1%	1,439,157	15.5%
1.01.02.01.01	Consumers and traders	1,408,499	14.9%	1,188,665	12.8%
1.01.02.01.02	Concession holders - power transportation	306,035	3.2%	250,492	2.7%
1.01.02.02	Sundry credits	1,768,122	18.7%	1,335,071	14.4%
	Consumers – Extraordinary Tariff Recomposition and				
1.01.02.02.01	Portion “A”	300,555	3.2%	271,800	2.9%
1.01.02.02.02	Taxes to be offset	65,786	0.7%	81,774	0.9%
1.01.02.02.03	Anticipated expenses – CVA	433,642	4.6%	539,321	5.8%
1.01.02.02.04	Tax credits	59,145	0.6%	51,883	0.6%
1.01.02.02.05	PIS, Pasep and Cofins taxes: Regulatory asset	107,959	1.1%	39,168	0.4%
1.01.02.02.06	Deferred Tariff Adjustment	791,231	8.4%	321,445	3.5%
1.01.02.02.07	Linked funds	9,804	0.1%	29,680	0.3%
1.01.03	Inventories	15,786	0.2%	13,766	0.1%
1.01.04	Other	123,281	1.3%	108,979	1.2%
1.02	Non-current assets	5,611,542	59.4%	5,825,318	62.9%
1.02.01	Long term assets	1,872,705	19.8%	2,623,260	28.3%
1.02.01.01	Sundry credits	1,855,936	19.6%	2,599,172	28.1%
	Extraordinary Tariff Recomposition (RTE) and Portion				
1.02.01.01.01	“A”	878,228	9.3%	1,001,305	10.8%
1.02.01.01.02	Anticipated expenses – CVA	157,612	1.7%	46,549	0.5%
1.02.01.01.03	Tax credits	136,883	1.4%	87,207	0.9%
1.02.01.01.04	Taxes to be offset	202,886	2.1%	153,962	1.7%
1.02.01.01.05	Deposits linked to legal actions	111,931	1.2%	17,343	0.2%
1.02.01.01.06	Consumers and Traders	50,357	0.5%	64,190	0.7%
1.02.01.01.07	PIS, Pasep, Cofins taxes – Regulatory assets	190,551	2.0%	374,622	4.0%
1.02.01.01.08	Deferred Tariff Adjustment	127,488	1.3%	853,994	9.2%
1.02.01.02	Receivable from related parties	7,540	0.1%	21,461	0.2%
1.02.01.02.01	From affiliates and equivalent	0	0.0%	0	0.0%
1.02.01.02.02	From subsidiaries	0	0.0%	0	0.0%
1.02.01.02.03	From other related parties	0	0.0%	0	0.0%
1.02.01.03	Others	9,229	0.1%	2,627	0.0%
1.02.02	Fixed assets	3,738,837	39.6%	3,202,058	34.6%
1.02.02.01	Investments	2,795	0.0%	1,756	0.0%
1.02.02.01.01	Holdings in affiliates and equivalent entities	0	0.0%	0	0.0%
1.02.02.01.02	Goodwill on holdings in affiliates and equivalent entities	0	0.0%	0	0.0%
1.02.02.01.03	Holdings in subsidiaries	0	0.0%	0	0.0%
1.02.02.01.04	Goodwill on holdings in subsidiaries	0	0.0%	0	0.0%
1.02.02.01.05	Other investments	0	0.0%	0	0.0%
1.02.02.02	Fixed assets	3,735,788	39.5%	3,199,925	34.6%
1.02.02.03	Intangible	0	0.0%	0	0.0%
1.02.02.04	Deferred	254	0.0%	377	0.0%

	<b>LIABILITIES</b>	<b>31/12/2006</b>	<b>AV</b>	<b>31/12/2005</b>	<b>AV</b>
2	Total liabilities	9,447,368	100.0%	9,255,552	100.0%
2.01	Current liabilities	3,543,311	37.5%	3,118,086	33.7%
2.01.01	Loans and financings	266,981	2.8%	209,171	2.3%
2.01.02	Debentures	15,279	0.2%	0	0.0%
2.01.03	Suppliers	653,502	6.9%	640,809	6.9%
2.01.04	Taxes, charges and contributions	750,183	7.9%	438,340	4.7%
2.01.05	Interest on Equity, and dividends, payable	670,712	7.1%	907,541	9.8%
2.01.06	Provisions	481,771	5.1%	337,233	3.6%
2.01.06.01	Salaries and mandatory charges on payroll	124,102	1.3%	123,106	1.3%
2.01.06.02	Regulatory charges	305,040	3.2%	158,634	1.7%
2.01.06.03	Profit shares	52,629	0.6%	55,493	0.6%
2.01.07	Debt to related parties	0	0.0%	0	0.0%
2.01.08	Other	704,883	7.5%	584,992	6.3%
2.01.08.01	Anticipated expenses – CVA	328,143	3.5%	208,195	2.2%
2.01.08.02	Post-employment obligations	87,369	0.9%	114,866	1.2%
2.01.08.03	Provision for losses on financial instruments	134,877	1.4%	78,060	0.8%
2.01.08.04	Other obligations	154,494	1.6%	183,871	2.0%
2.02	Non-current liabilities	3,554,075	37.6%	3,825,962	41.3%
2.02.01	Long term liabilities	3,554,075	37.6%	3,825,962	41.3%
2.02.01.01	Loans and financings	1,877,271	19.9%	1,925,946	20.8%
2.02.01.02	Debentures	258,380	2.7%	0	0.0%
2.02.01.03	Provisions	2,664	0.0%	2,885	0.0%
2.02.01.03.01	Provisions for contingencies	2,664	0.0%	2,885	0.0%
2.02.01.04	Debt to related parties	0	0.0%	0	0.0%
2.02.01.05	Advances against future capital increase	0	0.0%	0	0.0%
2.02.01.06	Other	1,415,760	15.0%	1,897,131	20.5%
2.02.01.06.01	Anticipated expenses – CV A	119,907	1.3%	31,508	0.3%
2.02.01.06.02	Post-employment obligations	890,456	9.4%	935,126	10.1%
2.02.01.06.03	Suppliers	220,040	2.3%	264,123	2.9%
2.02.01.06.04	Taxes, charges and contributions	174,418	1.8%	615,800	6.7%
2.02.01.06.05	Regulatory charges	0	0.0%	36,297	0.4%
2.02.01.06.06	Other liabilities	10,939	0.1%	14,277	0.2%
2.02.02	Future earnings	0	0.0%	0	0.0%
2.04	Stockholders' Equity	2,349,982	24.9%	2,311,504	25.0%
2.04.01	Registered capital – paid-up	2,261,998	23.9%	2,261,998	24.4%
2.04.02	Capital reserves	0	0.0%	0	0.0%
2.04.03	Revaluation reserves	0	0.0%	0	0.0%
2.04.03.01	Own assets	0	0.0%	0	0.0%
2.04.03.02	Subsidiaries, affiliates and equivalent entities	0	0.0%	0	0.0%
2.04.04	Profit reserves	87,984	0.9%	49,506	0.5%
2.04.04.01	Legal reserve	87,984	0.9%	49,506	0.5%
2.04.04.02	Reserve under Bylaws	0	0.0%	0	0.0%
2.04.04.03	For contingencies	0	0.0%	0	0.0%
2.04.04.04	For future earnings	0	0.0%	0	0.0%
2.04.04.05	Retained earnings	0	0.0%	0	0.0%
2.04.04.06	Special reserve for dividends not distributed	0	0.0%	0	0.0%
2.04.04.07	Other profit reserves	0	0.0%	0	0.0%
2.04.05	Retained earnings (loss)	0	0.0%	0	0.0%
2.04.06	Advances for future capital increase	0	0.0%	0	0.0%

<b>INCOME STATEMENT – 12 MONTHS</b>		<b>31/12/2006</b>	<b>AV</b>	<b>31/12/2005</b>	<b>AV</b>
3.01	Gross revenue from sales and/or services	9,283,286	147.0%	9,274,966	145.0%
3.01.01	Gross revenue from retail supply of electricity	7,965,666	126.2%	7,430,028	116.2%
3.01.02	Deferred Tariff Adjustment	0	0.0%	591,010	9.2%
3.01.03	Revenue from use of the network	1,260,721	20.0%	1,200,587	18.8%
3.01.04	Other operational revenues	56,899	0.9%	53,341	0.8%
3.02	Deductions from operational revenue	(2,969,064)	-47.0%	(2,878,119)	-45.0%
3.03	Net operational revenue from sales and/or services	6,314,222	100.0%	6,396,847	100.0%
3.04	Cost of goods and /or services sold	(5,208,840)	-82.5%	(5,049,065)	-78.9%
3.04.01	Electricity bought for resale	(1,981,437)	-31.4%	(1,890,075)	-29.5%
3.04.02	Charges for use of the basic transmission grid	(515,224)	-8.2%	(554,363)	-8.7%
3.04.03	Personnel and managers	(884,376)	-14.0%	(762,639)	-11.9%
3.04.04	Post-employment obligations	(115,793)	-1.8%	(108,358)	-1.7%
3.04.05	Materials	(58,520)	-0.9%	(71,812)	-1.1%
3.04.06	Outsourced services	(291,609)	-4.6%	(280,628)	-4.4%
3.04.07	Depreciation and amortization	(365,517)	-5.8%	(361,301)	-5.6%
3.04.08	Operational provisions		-0.1%	(66,617)	-1.0%
3.04.09	Financial compensation for use of water resources	(11,581)	-0.2%	(32,790)	-0.5%
3.04.10	Fuel Consumption Account – CCC	(442,960)	-7.0%	(387,126)	-6.1%
3.04.11	Energy Development Account - CDE	(294,170)	-4.7%	(279,025)	-4.4%
3.04.12	Energy Efficiency and Research and development	(158,038)	-2.5%	(172,805)	-2.7%
3.04.13	Other	(85,394)	-1.4%	(81,526)	-1.3%
3.05	Gross profit	1,105,382	17.5%	1,347,782	21.1%
3.06	Operational revenue (expenses)	(192,395)	-3.0%	(149,692)	-2.3%
3.06.01	Selling expenses	(130,429)	-2.1%	(119,930)	-1.9%
3.06.02	General and administrative expenses	(46,199)	-0.7%	(68,460)	-1.1%
3.06.03	Net financial revenues (expenses)	6,992	0.1%	25,879	0.4%
3.06.03.01	Financial revenues	768,156	12.2%	882,507	13.8%
3.06.03.02	Financial expenses	(761,164)	-12.1%	(856,628)	-13.4%
3.06.04	Other operational revenues	0	0.0%	12,819	0.2%
3.06.05	Other operational expenses	(22,759)	-0.4%	0	0.0%
3.06.06	Equity income from subsidiaries	0	0.0%	0	0.0%
3.07	Operational profit (loss)	912,987	14.5%	1,198,090	18.7%
3.08	Non-operational revenue (expenses)	(25,500)	-0.4%	(30,716)	-0.5%
3.08.01	Revenue	11,844	0.2%	2,682	0.0%
3.08.02	Expenses	(37,344)	-0.6%	(33,398)	-0.5%
3.09	Profit before taxes and profit sharing	887,487	14.1%	1,167,374	18.2%
3.10	Provision for income tax and Social Contribution	(407,344)	-6.5%	(98,710)	-1.5%
3.11	Deferred income tax	107,461	1.7%	(299,079)	-4.7%
3.12	Profit sharing and contributions under the Bylaws	0	0.0%	0	0.0%
3.12.01	Profit sharing	0	0.0%	0	0.0%
3.12.02	Contributions	0	0.0%	0	0.0%
3.13	Reversal of Interest on Equity	181,963	2.9%	220,544	3.4%
3.15	Profit/loss in the period	769,567	12.2%	990,129	15.5%



<b>SOURCES AND USES OF FUNDS – 12 MONTHS</b>		<b>31/12/2006</b>	<b>AV</b>	<b>31/12/2005</b>	<b>AV</b>
4.01	Sources	3,002,807	100.0%	2,852,146	100.0%
4.01.01	From operations	989,098	32.9%	801,663	28.1%
4.01.01.01	Net profit for the period	769,567	25.6%	990,129	34.7%
4.01.01.02	Expenses (revenue) not affecting working capital	219,531	7.3%	(188,466)	-6.6%
4.01.01.02.01	Depreciation and amortization	367,294	12.2%	363,672	12.8%
4.01.01.02.02	Long-term interest and monetary variations	(161,087)	-5.4%	(497,961)	-17.5%
4.01.01.02.03	Deferred income tax and Social Contribution	(125,100)	-4.2%	390,577	13.7%
4.01.01.02.04	Net write-downs of fixed assets	15,093	0.5%	26,141	0.9%
4.01.01.02.05	Post-employment liabilities	115,793	3.9%	111,189	3.9%
4.01.01.02.06	Provision for losses – Extraordinary Tariff Adjustment	7,759	0.3%	82,285	2.9%
4.01.01.02.07	Regulatory assets – PIS, Pasep and Cofins	0	0.0%	(76,244)	-2.7%
4.01.01.02.08	Provisions for operational losses	-221	-0.0%	2,885	0.1%
4.01.01.02.09	Deferred Tariff Adjustment	0	0.0%	(591,010)	-20.7%
4.01.02	From stockholders	0	0.0%	259,042	9.1%
4.01.02.01	Short term net assets transferred as capital injection	0	0.0%	259,042	9.1%
4.01.02.02	Capital increase	0	0.0%	0	0.0%
4.01.03	From third parties	2,013,709	67.1%	1,791,441	62.8%
4.01.03.01	Financings obtained	410,327	13.7%	709,407	24.9%
4.01.03.02	Special Obligations	299,370	10.0%	75,873	2.7%
4.01.03.03	Transfer from Long-term assets: CVA	4,733	0.2%	249,660	8.8%
4.01.03.04	Transfer from Long-term assets: PIS, Cofins	184,071	6.1%	66,539	2.3%
4.01.03.05	Transfer from Long-term assets: Extraordinary Tariff Recomposition	285,926	9.5%	205,109	7.2%
4.01.03.06	Transfer from Long-term assets: Deferred Tariff Adjustment	764,141	25.4%	374,864	13.1%
4.01.03.07	Transfer from Long-term assets: Tax credits	0	0.0%	33,138	1.2%
4.01.03.08	Reduction in Long-term assets	21,152	0.7%	30,619	1.1%
4.01.03.09	Other	43,989	1.5%	46,232	1.6%
4.02	Cash investments	3,022,440	100.0%	2,539,999	100.0%
4.02.01	Taxes subject to offsetting	48,924	1.6%	51,636	2.0%
4.02.02	Anticipated expenses – CVA	0	0.0%	114,958	4.5%
4.02.03	In investments	859	0.0%	1,236	0.0%
4.02.04	In fixed assets	1,217,677	40.3%	921,075	36.3%
4.02.05	Interest on Equity and dividends	731,089	24.2%	940,623	37.0%
4.02.06	Transferred to Current – Suppliers	107,510	3.6%	70,591	2.8%
4.02.07	Transfer to Current – Post-employment obligations	160,463	5.3%	156,705	6.2%
4.02.08	Taxes and Social Contribution – transfer to Current	316,282	10.5%	236,409	9.3%
4.02.09	CVA – Transfer to Long-term	71,386	2.4%	0	0.0%
4.02.10	Transfer to Current – Loans and financings	184,351	6.1%	0	0.0%
4.02.11	Tax credits – transfer to non-current	49,676	1.6%	0	0.0%
4.02.12	Payments into Court in legal proceedings	94,588	3.1%	17,343	0.7%
4.02.13	Other	39,635	1.3%	29,423	1.2%
4.03	Increase (decrease) in working capital	(19,633)		312,147	
4.04	Change in Current assets	405,592		3,430,233	
4.04.01	Current assets at start of period	3,430,234		1	
4.04.02	Current assets at end of period	3,835,826		3,430,234	
4.05	Change in Current liabilities	(425,225)		(3,118,086)	
4.05.01	Current liabilities at start of period	(3,118,086)		0	
4.05.02	Current liabilities at end of period	(3,543,311)		(3,118,086)	

<b>SELECTED LINES</b>		<b>31/12/2006</b>	<b>31/12/2005</b>
1.01	Current assets	3,835,826	3,430,234
1.02	Long term assets	5,611,542	5,825,318
2.01	Current liabilities	3,543,311	3,118,086
2.01.01	Loans and financings	266,981	209,171
2.01.02	Debentures	15,279	0
2.01.07	Debt to related parties	0	0
2.02.01	Long term liabilities	3,554,075	3,825,962
2.02.01.01	Loans and financings	1,877,271	1,925,946
2.02.01.02	Debentures	258,380	0
2.02.01.04	Debt to related parties	0	0
2.04	Stockholders' equity	2,349,982	2,311,504
3.03	Net revenue from sales and/or services	6,314,222	6,396,847
3.05	Gross profit	1,105,382	1,347,782
3.15	Net profit (loss) for the period	769,567	990,129
<b>FINANCIAL AND ECONOMIC INDICATORS</b>		<b>31/12/2006</b>	<b>31/12/2005</b>
	Acid test ratio	1.33	1.33
	Current liquidity	1.08	1.10
	Total debt	3.02	3.00
	Total bank debt	1.03	0.92
	Gross margin	17.51%	21.07%
	Net margin	12.19%	15.48%
	Return on equity	48.69%	74.93%

## NOTES TO THE FINANCIAL STATEMENTS

### AT DECEMBER 31, 2006 AND 2005 (In thousands of Reais, unless otherwise stated)

#### 1) – OPERATING CONTEXT

Cemig Distribuição S.A. (“the Company, or Cemig Distribuição”) is a privately held publicly listed company, a wholly-owned subsidiary of Companhia Energética de Minas Gerais – Cemig (“Cemig”), incorporated on September 8, 2004, and began operating on January 1, 2005, as a result of the unbundling (separation) of Cemig’s activities.

Registration of the company for listing and trading of its securities was granted by the Brazilian Securities Commission (CVM) on September 25, 2006. It should be emphasized that its shares are not currently traded on exchanges.

The concession contracts for electricity distribution, signed in 1997 by Cemig (the holding company of Cemig Distribuição), stipulated that the company should restructure its operations by separating its generation, transmission and distribution business into wholly owned subsidiaries (“unbundling”).

In addition, Provisional Measure 144 of December 11, 2003, later converted into federal Law 10848 of March 15, 2004, governing the restructuring of the model for the Brazilian electricity sector, determined that the activities of generation and transmission be separated from the activity of distributing electricity, thus generating distinct companies for each.

As a result, Cemig’s distribution grids and lines and other assets and liabilities related to the electricity distribution activities were transferred, on January 1, 2005, to Cemig Distribuição.

The concession area of Cemig Distribuição is of 567,740 km<sup>2</sup> (not audited), approximately 97.00% of the Brazilian state of Minas Gerais, and the company served 6.240.048 consumers (not audited) on December 31, 2006.

This table shows the separation of assets and liabilities of Cemig transferred to Cemig Distribuição on January 1, 2005:

	<u>R\$</u>
<b>ATIVO</b>	
<b>CIRCULANTE</b>	
Cash and cash equivalents	17,301
Consumers and resellers	1,127,064
Extraordinary Tariff Recomposition and Portion “A”	327,268
Anticipated expenses – CVA	463,508
Taxes able to be offset	9,641
Inventories	11,901
Other credits	61,180
<b>TOTAL, CURRENT</b>	<u>2,017,863</u>
<b>NON-CURRENT</b>	
<b>Long term assets</b>	
Anticipated expenses – CVA	85,786
Regulatory asset - PIS-PASEP/COFINS	361,082
Taxes able to be offset	102,326
Extraordinary Tariff Recomposition and Portion “A”	1,032,601
Deferred Tariff Adjustment	437,759
Consumers and resellers	78,022
Tax credits	10,621

Other credits	40,875
<b>Total, Long term assets</b>	<u>2,149,072</u>
Capital expenditure	419
Fixed assets	4,557,550
Special obligations	(1,813,035)
Deferred	499
<b>TOTAL, NON-CURRENT</b>	<u>4,894,505</u>
<b>TOTAL ASSETS</b>	<u><b>6,912,368</b></u>
<b>LIABILITIES</b>	
<b>CURRENT</b>	
Suppliers	397,808
Taxes, charges and contributions	174,037
Regulatory charges	34,347
Salaries and mandatory charges on payroll	89,412
Interest on Equity, and dividends	325,918
Loans and financings	490,487
Post-employment obligations	144,710
Other obligations	102,101
<b>TOTAL, CURRENT</b>	<u>1,758,820</u>
<b>NON-CURRENT</b>	
Taxes, charges and contributions	351,908
Suppliers	245,873
Loans and financings	1,233,130
Post-employment obligations	980,642
Other obligations	79,997
<b>TOTAL, NON-CURRENT</b>	<u>2,891,550</u>
<b>STOCKHOLDERS' EQUITY</b>	<u>2,261,998</u>
<b>TOTAL LIABILITIES</b>	<u><b>6,912,368</b></u>

## 2) – PRESENTATION OF FINANCIAL STATEMENTS

### 2.1) Presentation of the financial statements

The financial statements were compiled and prepared according to Brazilian accounting principles, including: the Corporate Law; rules of the CVM (Brazilian Securities Commission); and specific legislation applicable to electricity concession holders, determined by the Brazilian electricity regulator (Aneel).

In these financial statements the company adopted, in advance, the new procedures for disclosure contained in CVM Decisions 505 ("Events Subsequent to the Date of the Balance Sheet") and 506 ("Accounting Practices, Changes in Accounting Estimates and Correction of Errors").

Statements of cash flow and added value are also provided, in Appendices I and II, respectively.

#### Reclassification of account lines

For better comparability and analysis of the consolidated income statement, the Company has reclassified certain transactions for the 2005 business year, as follows:

<u>Original account</u>	<u>Reclassified to</u>
<b>Operational costs – Cost of operation</b>	<b>Financial expense</b>
Provision for losses on recovery of RTE amounts	Provision for losses on recovery of RTE amounts
82,285	(82,285)

The provision for losses on recovery of RTE amounts was reclassified to Financial revenue (expenses) because it is essentially an updating of the financial provision originally constituted, since the asset that gave rise to the provision is also updated, and the financial revenue recorded.

## 2.2) Authorization for conclusion of the financial statements

On February 14, 2007, the company's Executive Board authorized conclusion of the Financial Statements for the year ended December 31, 2006, and their consequent submission to the Board of Directors for approval.

## 2.3) Main accounting practices

### (a) Specific accounting practices for the electricity sector

Administration expenses – These are appropriated monthly to the cost of PP&E under construction, I the amount of 8% of direct expenditure on personnel and outsourced services.

### (b) General accounting practices

Cash & cash equivalents – These are stated at cost. The yields earned up to the date of the balance sheet are classified as Other credits, in Current assets, at values not above realization values.

Consumers and traders – Wholesale supply of electricity not invoiced as of the date of the balance sheet is booked on the accrual basis.

Provision for doubtful receivables – This is constituted in an amount considered sufficient to cover possible losses from consumers and resellers. The criteria for constitution of the provision are described in Explanatory Note 5.

Inventories – These are valued at the average acquisition cost, materials in stock being recorded in Current assets and materials allocated to construction work being booked in Non-current assets and not depreciated.

Anticipated expenses – CVA – The differences between the sums of non-controllable costs (also called “Portion A”), used as a reference in calculation of future tariff adjustments, and the disbursements actually made, are compensated in future tariff adjustments, being posted in Assets or Liabilities (when the value in fact paid was less than the value used for calculation of the tariff), as anticipated expenses. After the tariff adjustment in question is made, these expenses are transferred monthly to the income statement, in proportion to the amounts received through customer electricity bills.

Fixed assets – These are valued at the cost incurred on the date of formation or acquisition.

Depreciation and amortization - These are calculated on the balance of PP&E in service, by the straight-line method, applying the rates stipulated by the Aneel, which reflect the estimated useful life of the assets.

Capitalization of loan charges on loans and financings – Interest, other financial charges and inflationary effects incurred in relation to financings obtained from third parties, linked to Works in Progress, are appropriated to Fixed Assets in Progress, during the period of construction.

Special obligations – These are assessed according to the value received from clients. Special obligations are not depreciated or amortized, and in the balance sheets are presented as reductions of Fixed assets.

Other assets and liabilities – Those subject to monetary adjustment by force of legislation or contractual clauses, and those denominated in foreign currency, are adjusted on the basis of the indices specified in the respective provisions, and on the basis of FX variation, respectively, so as to reflect the amounts updated on the date of the financial statements. Others are presented at cost on the date of formation, and the assets are reduced by provision for losses, when applicable.

Post-employment obligations – Costs related to supplementing retirement pensions and the other post-employment benefits are recognized as obligations and booked based on actuarial calculations, using the Projected Credit Unit method in order to determine the present value of the obligations.

Income tax and Social Contribution – Credits are provisioned or constituted on tax losses and temporary additions, their effects being booked in the results for the year, taking into account the prospects for their realization.

Net profit – Calculated by the accrual method on an annual basis.

Net profit per thousand shares – Based on the number of shares at the balance sheet date.

Use of estimates – The preparation of the financial statements requires management to use estimates for booking certain transactions, which affect the company's assets and liabilities, revenues and expenses, as well as the publication of information regarding data in their financial statements. The final results of these transactions and information, at the time of their effective realization in subsequent periods, may differ from such estimates. The main estimates related to the financial statements refer to the booking of the effects resulting from the Rationing Program, from the General Agreement for the Electricity Sector, and the Wholesale Electricity Market ("MAE") (succeeded by the Electricity Trading Chamber – *Câmara de Comercialização de Energia Elétrica*, "CCEE" in 2004), and to Provisions for Doubtful receivables, Anticipated expenses – CVA, Tax credits, Post-employment obligations, Provisions for contingencies, and Uninvoiced retail supply of electricity.

### 3) – CONCESSIONS

The Company has the following concessions, currently under grant from Aneel :

State of Minas Gerais	Date of concession	
	or Authorization	Maturity date
North	04/1997	02/2016
South	04/1997	02/2016
East	04/1997	02/2016
West	04/1997	02/2016

The company expects the concessions to be renewed, and therefore does not expect to suffer any loss due to non-renewal of the present concessions.

The company does not have liabilities for payments to compensate for commercial operation of the distribution concessions. It is, however necessary to meet the demands for quality and capital investment specified in the concession contracts, and these were complied with.

### 4) – CASH & CASH EQUIVALENTS

	<u>31/12/2006</u>	<u>31/12/2005</u>
Bank accounts	70,578	27,954
Cash investments – Bank CDs	143,525	505,307
	<b><u>214,103</u></b>	<b><u>533,261</u></b>

Remuneration of the financial investments of Cemig Distribuição is based substantially on the variation in the Brazilian CDI (“Interbank Certificate of Deposit”) rate.

## 5) – CONSUMERS AND TRADERS

Consumer category	Balances not yet due	Up to 90 days past due	Over 90 days past due	Total	
				12/2006	12/2005
Residential	387,370	147,796	61,695	596,861	471,079
Industrial	143,741	46,132	208,234	398,107	336,140
Commerce, services and others	189,874	51,168	44,181	285,223	234,177
Rural	57,462	16,060	12,261	85,783	68,680
Public power	28,328	7,014	4,008	39,350	42,385
Public lighting	82,474	7,420	6,479	96,373	75,070
Public services	72,090	2,457	1,769	76,316	42,385
<b>Subtotal – consumers</b>	<b>961,339</b>	<b>278,047</b>	<b>338,627</b>	<b>1,578,013</b>	<b>1,269,916</b>
Supply to other concession holders	20,150	-	-	20,150	14,477
Provision for doubtful credits	-	-	(189,664)	(189,664)	(95,728)
	<b><u>981,489</u></b>	<b><u>278,047</u></b>	<b><u>148,963</u></b>	<b><u>1,408,499</u></b>	<b><u>1,188,665</u></b>

Amounts receivable totaling R\$ 50,357 (R\$ 64.190 on December 31, 2005) are registered in Long-term assets, in relation to renegotiations of the amounts owed by Copasa (Companhia de Saneamento de Minas Gerais – Minas Gerais Water Services Company), to be settled up to September 2012, and the Prefecture of Belo Horizonte, to be settled up to March 2010.

The provision for doubtful receivables is broken down as follows:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Residential	72,771	46,079
Industrial	62,823	16,459
Commerce, services and others	38,204	22,683
Rural	7,617	3,734
Public power	2,450	1,858
Public lighting	4,008	3,187
Public services	1,791	1,728
	<b><u>189,664</u></b>	<b><u>95,728</u></b>

The movement in Provisions for doubtful receivables during 2006 was as follows:

<b>Balance on December 31, 2005</b>	<b>95,728</b>
Write-off of accounts receivable	(10,676)
Constitution of provision	104,612
<b>Balance on December 31, 2006</b>	<b><u>189,664</u></b>

## 6) – REGULATORY ASSETS AND LIABILITIES

The General Agreement for the Electricity Sector, signed in 2001, and the new regulations for the electric power sector, made it necessary to constitute various regulatory assets and liabilities, as well as deferring the federal taxes levied on these assets and liabilities (these taxes are settled as the assets and liabilities are received and /or paid), as shown below:

	<u>31/12/2006</u>	<u>31/12/2005</u>
<b>Assets</b>		
Extraordinary tariff recovery and Portion “A” – Note 7	1,178,783	1,273,105
Deferred tariff adjustment – Note 11	918,719	1,175,439
PIS/Cofins and Pasep – Note 12	298,510	413,790
Anticipated expenses – CVA – Note 8	591,254	585,870
	<u>2,987,266</u>	<u>3,448,204</u>
<b>Liabilities</b>		
Suppliers – transferred to generators for the purchase of free energy – Note 14	(327,618)	(362,000)
Regulatory liabilities – CVA – Note 8	(448,050)	(239,703)
	<u>(775,668)</u>	<u>(601,703)</u>
Taxes, charges and contributions – Deferred obligations – Note 15	(636,794)	(843,364)
	<u>(1,412,462)</u>	<u>(1,445,067)</u>
	<u><b>1,574,804</b></u>	<u><b>2,003,137</b></u>

## 7) EXTRAORDINARY TARIFF RECOVERY (“RTE”) AND PORTION “A”

### a) Extraordinary Tariff Recomposition

Resolution 91 of the Electricity Crisis Management Chamber (GCE), of December 21, 2001, and Law 10,438 of April 26, 2002, established the procedures for implementation of the Extraordinary Tariff Recomposition (RTE), coming into effect on December 27, 2001. The tariff adjustments were defined by Resolution of the GCE, on April 30, 2002, as follows:

- Adjustment of 2.90% for residential (excluding low income residential) consumers, rural and public illumination and high-voltage industrial consumers, for whom the cost of electricity represents 18.00% or more of average production cost and which fulfill certain requirements in respect of power load and demand factor, specified in the Resolution.
- Adjustment of 7.90% for the other consumers.

The RTE is being used to compensate the following items:

- Losses of sales revenue in the period from June 1, 2001 to February 28, 2002, corresponding to the difference between Cemig Distribuição’s estimated income, if the Rationing Program had not been implemented and the actual income received during its period of validity, according to the formula disclosed by Aneel. Any losses on defaulting consumers (which are not expected to be significant), and the ICMS tax, were not included in this amount.
- Amounts to be passed through to the generation companies that bought power in the MAE (succeeded in 2004 by the Electricity Trading Chamber (“CCEE”), in the period from June 1, 2001 until February 28, 2002, for prices of more than R\$ 49.26/MWh (“free energy”). As the company merely has the function of passing the amounts received through to the generation companies, this balance includes the taxes and regulatory charges levied on the revenue. When the transfer is made to the generation companies, these taxes and regulatory charges are deducted.

The recovery of credits through the RTE, according to Normative Resolution 45 of March 3, 2004, is carried out in the proportion of 64.29% and 35.71% for the credits regarding income and unrestricted



power losses, respectively.

The RTE credits in relation to rationing losses are being adjusted by the Selic rate until the month of the actual compensation.

These RTE credits for free energy are adjusted by the Selic rate plus interest of 1.00% per year, for the amounts to be transferred to the generation companies that had received loans from the BNDES.

ICMS levied on the RTE balances, corresponding to the income to be invoiced, which was estimated at R\$ 136,599 on December 31, 2006 (R\$ 180,805 on December 31, 2005), only becomes due when the respective electricity invoice is issued to the consumer. Since the company operates as a mere pass-through agent for this tax from the consumer to the State, it has not recorded this obligation and the ICMS amounts to be charged on customer energy bills in advance.

#### Provision for losses

Under Aneel Normative Resolution 1 of January 12, 2004, the maximum period for recovery of the RTE by Cemig Distribuição was changed from 82 to 74 months, now covering the period from January 2002 to February 2008. The company has made a study on whether 74 months will be enough for recovery of the amounts recognized by Aneel

The study was based on certain assumptions, the most significant of which are those related to projections of tariff adjustments, inflation rates, the Selic rate and the growth of the electricity market.

Based on the study, the provision for losses in the realization of RTE values on December 31, 2006 was estimated at R\$ 90,044 (R\$ 82,285 on December 31, 2005).

#### **b) Portion "A"**

The Portion "A" items are defined as the total sum of the differences, whether positive or negative, over the period from January 1 to October 25, 2001, between the amount of non-manageable costs presented in the figures for determination of the last annual tariff adjustment and the disbursements that actually took place in that period.

Through Normative Resolution 1, of January 12, 2004, Aneel defined that the amounts of the variations in the non-manageable items of Portion "A" would not be included in the limit period of validity of the RTE, but that their recovery would begin immediately after the end of the period of validity of the RTE, using the same recovery mechanisms, that is to say the adjustment applied to the tariffs to compensate the RTE amounts will continue in force to compensate the items of Portion "A".

The Portion "A" credits are adjusted according to the variation in the Selic up to the month of their actual compensation, and there is no time limit for their settlement.

### c) Composition of the balances of RTE and Portion "A"

	Adjustment		Total	Total
	Principal	by Selic		
Recovery of losses of sales revenue (1)	713,391	563,189	1,276,580	1,226,256
Amounts received	<u>(546,262)</u>	<u>(431,249)</u>	<u>(977,511)</u>	<u>(787,481)</u>
	167,129	131,940	299,069	438,775
Reimbursement of generation companies' free energy expenses (2)	442,717	277,636	720,353	651,313
Amounts received	<u>(235,375)</u>	<u>(147,608)</u>	<u>(382,983)</u>	<u>(284,583)</u>
	207,342	130,028	337,370	366,730
( - ) Provision for losses on receipt of RTE items	<u>(50,319)</u>	<u>(39,725)</u>	<u>(90,044)</u>	<u>(82,285)</u>
Total of RTE	<u>324,152</u>	<u>222,243</u>	<u>546,395</u>	<u>723,220</u>
Compensation of Portion "A" items (3)	245,299	387,089	632,388	549,885
Total of RTE and Portion "A"	<u>569,451</u>	<u>609,332</u>	<u>1,178,783</u>	<u>1,273,105</u>
Current assets			300,555	271,800
Long term assets			878,228	1,001,305

The RTE amounts to be passed through to the generation companies in relation to free energy, recorded in Suppliers, in Liabilities, are as follows:

	31/12/2006		31/12/2005	
	Principal	Adjustment by Selic	Total	Total
Amounts to be transferred to the generation companies (2)	419,229	263,504	682,733	619,307
( - ) Transfers made	<u>(218,057)</u>	<u>(137,058)</u>	<u>(355,115)</u>	<u>(257,307)</u>
	<u>201,172</u>	<u>126,446</u>	<u>327,618</u>	<u>362,000</u>
Current liabilities			107,578	97,877
Non-current liabilities			220,040	264,123

(1) Amounts ratified through Aneel Resolutions 480 and 481 of 2002 and 001 of 2004.

(2) Amounts ratified through Aneel Resolutions 001 and 045 of 2004.

(3) Amounts ratified through Aneel Resolutions 482 of 2002 and 001 of 2004.

### 8) – ANTICIPATED EXPENSES – CVA

The balance of the Compensation Account for the Variation of Portion "A" Items – CVA – refers to the positive and negative variations between the estimate of the company's non-manageable costs, used to define the tariff adjustment and the payments that actually took place. The variations found are compensated in the subsequent tariff adjustments.

	<u>Balance on 12.31.05</u>	<u>Deferred amounts (1)</u>	<u>Amortization (2)</u>	<u>Monetary adjustment (3)</u>	<u>Balance on 12.31.06</u>
Electricity bought for resale	157,606	29,036	(102,050)	15,513	100,105
Fuel Consumption Account – CCC	(40,360)	20,456	11,726	(1,782)	(9,960)
System Service Charges – ESS	89,191	(1,106)	(52,104)	8,250	44,231
Electricity transport tariff from Itaipu	12,337	(1,447)	(8,161)	1,354	4,083
Tariff for the use of the transmission facilities belonging to the basic grid	96,637	(113,693)	1,215	(5,266)	(21,107)
Financial compensation for use of water resources	16,974	-	(11,581)	1,192	6,585
Energy Development Account – CDE	10,019	7,296	(10,443)	1,334	8,206
Incentive Program for Alternative Electricity Sources – Proinfa	3,763	15,469	(9,688)	1,517	11,061
	<b><u>346,167</u></b>	<b><u>(43,989)</u></b>	<b><u>(181,086)</u></b>	<b><u>22,112</u></b>	<b><u>143,204</u></b>

- (1) Refers to variations in non-controllable costs that make up the CVA and which were not included in the adjustment calculation and were therefore excluded from the result.
- (2) Refers to variations in non-controllable costs that make up the CVA and which were transferred to the result due to their inclusion in the calculation of the tariff adjustment for Cemig Distribuição.
- (3) Refers to adjustment, by the Selic rate, from the date of the expense to its actual compensation in the tariff adjustment.

## 9) – TAXES ABLE TO BE OFFSET

	<u>31/12/2006</u>	<u>31/12/2005</u>
Current assets	433,642	539,321
Long term receivables	157,612	46,549
Current liabilities	(328,143)	(208,195)
Long term liabilities	<u>(119,907)</u>	<u>(31,508)</u>

The credits for income tax and Social Contribution refer basically to bringing forward of net payments of liabilities payable in the 2006 business year.

ICMS credits recoverable, posted in Long-term assets, arise from acquisitions on Fixed Assets, which can be offset in 48 months. The company is in the process of adaptation to the new control requirements ordered by the government of the state of Minas Gerais, which will allow the credits to begin to be offset in the second quarter of 2007.

## 10) – INCOME TAX AND SOCIAL CONTRIBUTION

### a) Tax credits:

The company has the following tax credits, calculated at the rate of 25.00% for income tax, and 9.00% for the Social Contribution:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Tax credits on:		
Post-employment obligations	35,704	-
Provision for doubtful credits	71,973	40,097
Provision for contingencies	906	981
Provision for losses in recovery of the Extraordinary Tariff Adjustment	30,615	27,977
Provision for Pasep and Cofins – Extraordinary Tariff Recovery	38,925	51,166
Other	17,905	18,869
	<u><b>196,028</b></u>	<u><b>139,090</b></u>
Current assets	59,145	51,883
Long term assets	136,883	87,207

At its meeting of February 8, 2007 the Board of Directors approved the technical study prepared by the Financial and Investor Relations Department on projections for future profitability, adjusted to present value, and this study shows that there is capacity for full payment of the Deferred Tax Assets over a maximum period of 10 years, as defined in CVM Instruction 371. This study was also submitted to the Audit Board on February 14, 2007 for examination.

The individual estimates of Cemig Distribuição indicate that future taxable profits will enable the Deferred Tax Assets existing on December 31, 2006, to be paid, as follows:

	<u>31/12/2006</u>
2007	59,145
2008	64,592
2009	18,146
2010	18,146
2011	18,147
2012 to 2014	10,710
2015 to 2016	7,142
	<u><b>196,028</b></u>

### b) Reconciliation of income tax and Social Contribution expenses:

Conciliation of the nominal expenses on income tax (at 25%) and Social Contribution (at 9%) with actual expenses in the income statement is as follows:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Profit before income tax and Social Contribution	887,487	1,167,374
Income tax and Social Contribution – nominal expenses	(301,746)	(396,907)
Tax effects on:		
Tax incentive mechanisms	11,198	6,642
Non-deductible contributions and donations	(7,409)	(4,843)
Tax credits not acknowledged	(1,510)	(2,724)
Other	(416)	43
Income tax and Social Contribution – actual expenses	<u><b>(299,883)</b></u>	<u><b>(397,789)</b></u>

## 11) – DEFERRED TARIFF ADJUSTMENT

Aneel Ratification Resolution 71, published with effect backdated to April 4, 2004, stated the results of the periodic tariff review of the company.

The periodic tariff review restates the electricity supply tariffs to a level compatible with the preservation of the economic-financial balance of the concession agreement, thus providing enough income to cover efficient operational costs and adequate remuneration of investments.

The average adjustment applied to the tariffs on April 8, 2003, on a provisional basis, was 31.53%. However, according to the Resolution, the definitive tariff restatement should have been 44.41%. The percentage difference of 12.88% will be compensated by an increase of R\$ 301,334, in April 2003 currency value, in each one of the tariff adjustments scheduled to take place from 2004 through 2007, cumulatively.

The adjustment applied to the tariffs on April 8, 2004 included an additional percentage of 2.91%, which corresponds to R\$ 159,388. Since the amount of the first installment should have been R\$ 301,334, the difference of R\$ 141,946 will be compensated in the tariff adjustments from 2005 through 2007.

The difference between the tariff restatement to which the company is entitled and the tariff actually charged from the consumers was acknowledged as a regulatory asset.

The amounts for the Deferred Tariff Adjustment are monetarily adjusted by the IGP-M inflation index plus interest of 11.26% per year.

	<b>2006</b>	<b>2005</b>
Deferred Tariff Adjustment – Since 04/08/2003	949,612	949,612
Interest (defined by Aneel – 11.26% p.a.)	351,044	206,795
Monetary adjustment – IGP-M index	137,107	99,469
<b><u>(-) Amounts received</u></b>	<b><u>(519,044)</u></b>	<b><u>(80,437)</u></b>
	<b><u>918,719</u></b>	<b><u>1,175,439</u></b>
Current assets	791,231	321,445
Long term assets	127,488	853,994

Additionally, deferred taxes were recognized on the revenue generated, the balance of which on December 31, 2006 was R\$ 397,346.

## 12) – REGULATORY ASSETS – PIS-PASEP and COFINS

Federal Laws 10637 and 10833 increased the rate of the PIS-Pasep and Cofins taxes and increased their bases of calculation. These changes resulted in an increase in the expenses on PIS-Pasep, from December 2002 to March 2005, and in expenses on Cofins, from February 2004 to June 2005.

In accordance with criteria set by Aneel the company recorded the credits as an Asset and made a counterpart reduction in the PIS-Pasep/Cofins expense.

This regulatory asset is being reimbursed to the company through tariff adjustments in the period 2005 to 2008.

### 13) – FIXED ASSETS

	<u>Historic cost</u>	<u>Accumulated depreciation</u>	<u>Net value 31/12/2006</u>	<u>Net value 31/12/2005</u>
<b>In service</b>	<b>8,231,393</b>	<b>(3,875,973)</b>	<b>4,355,420</b>	<b>4,150,363</b>
- Distribution	7,923,998	(3,661,829)	4,262,169	4,041,578
Intangibles	8,482	(507)	7,975	7,225
Land	16,253	-	16,253	15,744
Buildings, works and improvements	222,917	(108,370)	114,547	122,028
Machinery and equipment	7,635,047	(3,523,673)	4,111,374	3,879,769
Vehicles	30,850	(19,054)	11,796	16,485
Furniture and utensils	10,449	(10,225)	224	327
- Administration	307,395	(214,144)	93,251	108,785
Intangibles	67,531	(43,865)	23,666	30,723
Land	1,510	-	1,510	1,145
Buildings, works and improvements	42,841	(23,732)	19,109	19,866
Machinery and equipment	148,104	(102,384)	45,720	52,371
Vehicles	28,342	(25,625)	2,717	3,962
Furniture and utensils	19,067	(18,538)	529	718
<b>Under construction</b>	<b>1,568,646</b>	<b>-</b>	<b>1,568,646</b>	<b>938,470</b>
- Distribution	1,466,272	-	1,466,272	859,881
- Administration	102,374	-	102,374	78,589
<b>Total fixed assets</b>	<b>9,800,039</b>	<b>(3,875,973)</b>	<b>5,924,066</b>	<b>5,088,833</b>
Special obligations related to the concession			(2,188,278)	(1,888,908)
<b>Net fixed assets</b>			<b>3,735,788</b>	<b>3,199,925</b>

The Special Obligations refer basically to contributions made by consumers to execution of works necessary to supply electricity requested. Their settlement depends on decisions of Aneel at the end of the distribution concession periods, in terms of reduction of the residual value of Fixed Assets for the purpose of determining the amount that the concession-granting Power will pay to the concession holder. According to the specific accounting practices and the regulations of the Brazilian electricity sector, these amounts are not updated, nor subject to amortization or depreciation.

The obligations linked to the electricity public service concession break down as follows:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Participation of the Nations	98,192	13,569
Participation of the States	4,923	3,309
Participation of the Municipalities	156,165	122,502
Participation of the Consumer	1,766,679	1,710,623
Others	162,319	38,905
	<u>2,188,278</u>	<u>1,888,908</u>

The amount of R\$ 930,639 is posted in *Fixed assets in progress – Distribution*, on December 31, 2006, in relation to the Light for Everyone program (R\$ 451.436 on December 31, 2005).

The Light for Everyone program has as its initial target connection of 176,000 consumers, basically in the countryside areas, for total estimated cost of R\$ 1.641 billion. The program has participation of funds from the federal government and the state government, in the amounts of R\$ 665.4 million and R\$ 160.8 billion, respectively. The remaining amount of R\$ 815.1 million will come from the company's own funds.

In its operations the company uses assets of the nation (the federal government) that are not posted in the financial statements, the total value of which on December 31, 2006, net of depreciation, was R\$ 30.

The company had land and buildings posted as Fixed assets – Administration, which have been pledged as guarantee in legal actions involving tax, labor-law and civil disputes and other contingencies in the amount of R\$ 8,587, net of depreciation, on December 31, 2006.

The principal annual depreciation rates, in accordance with Aneel Resolution 044 of March 17, 1999, are as follows:

<u>Distribution</u>	<u>(%)</u>	<u>Administration</u>	<u>(%)</u>
System switch	5.00	Software	20.00
Concrete pole	5.00	Vehicles	20.00
Aluminum bare conductor	5.00	General equipment	10.00
Transformer	5.00	Building	4.00
Switch	4.00		
Capacitor bank	6.70		
Distribution switch	5.70		
System conductor	5.00		
System structure	5.00		
Voltage regulator	4.80		

Under Articles 63 and 64 of Decree 41019 of February 26, 1957, assets and facilities used in distribution and sale are linked to these services and may not be withdrawn, disposed of, assigned or given in mortgage guarantee without the prior and express authorization of the regulatory body. Aneel Resolution 20/99 regulates de-linking of assets of public service electricity concessions, granting prior authorization for de-linking of assets that are no longer of use to the concession, when allocated for disposal, ruling that the proceeds should be deposited in a bound bank account and invested in the concession.

Amounts were transferred to Fixed assets in progress as follows:

	<u>31/12/2006</u>	<u>31/12/2005</u>
Interest accounted in the Income statement	273,981	217,332
(-) Transfers to Fixed assets in progress	(2,743)	(36)
Net effect in the Income statement	<u>271,238</u>	<u>217,296</u>
Monetary and FX variations	(20,576)	(81,708)
(-) Transfers to Fixed assets in progress	-	(24)
Net effect in the Income statement	<u>(20,576)</u>	<u>(81,732)</u>

## 14) – SUPPLIERS

	<u>31/12/2006</u>	<u>31/12/2005</u>
<b>Current</b>		
Wholesale supply of electricity:		
Eletrobrás – power from Itaipu	191,330	210,495
Furnas	61,265	35,927
CCEE	7,141	6,624
Cemig Geração e Transmissão S.A.	14,744	65,947
Transfer to generation companies	107,578	97,877
Other generation and distribution companies	89,621	101,968
	<u>471,679</u>	<u>518,838</u>
Materials and services	<u>181,823</u>	<u>121,971</u>

	653,502	640,809
<b>Long-term</b>		
Wholesale electricity supply	220,040	264,123
	<b>873,542</b>	<b>904,932</b>

## 15) – TAXES, CHARGES AND CONTRIBUTIONS

	31/12/2006	31/12/2005
<b>Current</b>		
Income tax	-	6,433
ICMS (state value added tax)	209,283	164,108
Cofins	40,835	16,906
Pasep	12,507	3,671
INSS	11,732	10,065
Other	13,450	9,593
	<u>287,807</u>	<u>210,776</u>
Deferred obligations		
Income tax	273,042	133,634
Social Contribution	98,295	48,108
Cofins	74,800	37,648
Pasep	16,239	8,174
	<u>462,376</u>	<u>227,564</u>
	<b>750,183</b>	<b>438,340</b>
<b>Long-term</b>		
Deferred obligations		
Income tax	111,008	376,542
Social Contribution	39,963	135,555
Cofins	19,265	85,204
Pasep	4,182	18,499
	<u>174,418</u>	<u>615,800</u>

Deferred obligations refer to assets and liabilities linked to the General Agreement for the Electricity sector, which become due as these assets and liabilities are realized.



## 16) – LOANS, FINANCINGS AND DEBENTURES

FINANCING SOURCES	31/12/2006			31/12/2005			
	Principal due date	Annual financial charges (%)	Currencies	Current	Non-current	Total	Total
<b>FOREIGN CURRENCY</b>							
ABN AMRO Bank - N.	<u>2013</u>	<u>6.00</u>	<u>US\$</u>	89	106,900	106,989	117,113
ABN AMRO Real S.A.	<u>2009</u>	<u>6.35</u>	<u>US\$</u>	3,492	6,717	10,209	14,872
ABN AMRO Real S.A.	<u>2009</u>	<u>6.35</u>	<u>US\$</u>	9,539	18,344	27,883	40,623
ABN AMRO Real S.A.	<u>2009</u>	<u>6.35</u>	<u>US\$</u>	3,069	5,940	9,009	13,129
Banco do Brasil S.A. – Various bonds (1)	<u>2024</u>	<u>Various</u>	<u>US\$</u>	15,352	117,366	132,718	157,627
Inter-American Development Bank – IABD	<u>2006</u>	<u>7.67</u>	<u>US\$+UC</u>	-	-	-	2,732
B.N.P. – Paribas	<u>2010</u>	<u>Libor + 1.875</u>	<u>US\$</u>	450	26,193	26,643	29,081
KFW	<u>2016</u>	<u>4.50</u>	<u>EURO</u>	1,860	16,741	18,601	20,090
UNIBANCO S.A	<u>2007</u>	<u>6.50</u>	<u>US\$</u>	96,729	-	96,729	105,957
UNIBANCO S.A	<u>2009</u>	<u>5.50</u>	<u>US\$</u>	30	4,359	4,389	4,805
UNIBANCO S.A	<u>2009</u>	<u>5.00</u>	<u>US\$</u>	46	10,866	10,912	11,947
Others	<u>2007</u>	<u>Various</u>	<u>Various</u>	1,294	-	1,294	3,405
<u>Debt in foreign currency</u>				<u>131,950</u>	<u>313,426</u>	<u>445,376</u>	<u>521,381</u>
<b>MOEDA NACIONAL</b>							
Banco Credit Suisse First Boston S.A.	<u>2006</u>	<u>100.00 of CDI</u>	<u>R\$</u>	-	-	-	22,995
Banco do Brasil S.A.	<u>2009</u>	<u>111.00 of CDI</u>	<u>R\$</u>	982	56,178	57,160	57,587
Banco do Brasil S.A.	<u>2013</u>	<u>CDI + 1.70</u>	<u>R\$</u>	1,443	20,001	21,444	21,842
Banco do Brasil S.A.	<u>2013</u>	<u>107.60 of CDI</u>	<u>R\$</u>	9,675	96,000	105,675	107,594
Banco do Brasil S.A.	<u>2014</u>	<u>104.10 of CDI</u>	<u>R\$</u>	7,098	300,000	307,098	-
Banco Itaú – BBA	<u>2008</u>	<u>IGP-M + 10.48</u>	<u>R\$</u>	9,091	165,057	174,148	160,940
Banco Itaú – BBA	<u>2006</u>	<u>CDI + 2.00</u>	<u>R\$</u>	-	-	-	10,775
Banco Itaú – BBA	<u>2013</u>	<u>CDI + 1.70</u>	<u>R\$</u>	10,307	135,907	146,214	144,326
HSBC Bank Brasil S.A.	<u>2008</u>	<u>CDI + 2.00</u>	<u>R\$</u>	251	10,440	10,691	-
Banco Votorantim S.A.	<u>2010</u>	<u>113.50 of CDI</u>	<u>R\$</u>	2,000	29,248	31,248	31,997
Banco Votorantim S.A.	<u>2013</u>	<u>CDI + 1.70</u>	<u>R\$</u>	6,180	98,214	104,394	106,479
Bradesco S.A.	<u>2013</u>	<u>CDI + 1.70</u>	<u>R\$</u>	18,015	240,869	258,884	264,937
Debentures	<u>2014</u>	<u>IGP-M + 10.50</u>	<u>R\$</u>	15,279	258,380	273,659	263,916
ELETROBRÁS	<u>2008</u>	<u>FINEL + 8.50</u>	<u>R\$</u>	5,538	5,043	10,581	15,541
		<u>UFIR + 6.00 to</u>					
ELETROBRÁS	<u>2023</u>	<u>8.00</u>	<u>R\$</u>	35,477	177,561	213,038	136,552
Large consumers	<u>2011</u>	<u>Various</u>	<u>R\$</u>	2,953	1,877	4,830	5,132
Large consumers	<u>2007</u>	<u>IGPM+6.00</u>	<u>R\$</u>	1,866	-	1,866	2,421
Santander do Brasil S.A.	<u>2013</u>	<u>CDI + 1.70</u>	<u>R\$</u>	3,666	49,958	53,624	50,339
UNIBANCO S.A.	<u>2013</u>	<u>CDI + 1.70</u>	<u>R\$</u>	5,864	130,224	136,088	137,677
Banco WestLB do Brasil	<u>2008</u>	<u>IGPM +10.48</u>	<u>R\$</u>	2,280	41,264	43,544	41,901
Others	<u>2010</u>	<u>Various</u>	<u>R\$</u>	12,345	6,004	18,349	30,785
<u>Debt in Brazilian currency</u>				<u>150,310</u>	<u>1,822,225</u>	<u>1,972,535</u>	<u>1,613,736</u>
<u>Overall total</u>				<u>282,260</u>	<u>2,135,651</u>	<u>2,417,911</u>	<u>2,135,117</u>

(1) Interest rates vary: 2.00 to 8.00% per year;  
Six-month Libor plus spreads between 0.81 and 0.88% per year.

In addition to the financings mentioned above, on December 31, 2006 the company had credit lines with financial institutions in the amount of R\$ 148,179.

A substantial part of the Company's financings are guaranteed by the federal or state governments, and the funds are generally used as working capital and to finance expansion of the electricity generation, transmission and distribution systems. Cemig Distribuição has pledged future profits related to the sale of electricity, in the amount of R\$ 377,124, as a guarantee of certain financings.

In November 2006 the company concluded the first issue of public debentures, in which 23,042 unsecured, non-convertible debentures were issued, in a single series, with nominal unit value of R\$ 11, totaling R\$ 250,504. The debentures have a tenor of 96 months from the issue date, thus becoming due on the first business day of June 2014. The nominal value of the debentures will be updated by the IGP-M inflation index, plus remuneration interest of 10.5% per year. The debentures are guaranteed by a guarantee given by the holding company. Cemig Distribuição did not receive the net proceeds of this offering, since it took place only to replace the debentures of the third Cemig issue with those issued by Cemig Distribuição. There was also no increase in the company's indebtedness, since the obligations arising from the deed of the third Cemig issue had already been allocated to the company as part of the process of unbundling.

The breakdown of the loans by currency and indexor, with the respective amortizations, is as follows:

	2007	2008	2009	2010	2011	2012	2013	2014 and subsequent years	Total
<b>Currencies</b>									
US dollar	129,283	38,948	52,751	42,091	36,852	34,177	31,502	60,364	425,968
Euro	1,860	1,860	1,860	1,860	1,860	1,860	1,860	5,581	18,601
Others	807	-	-	-	-	-	-	-	807
	<b>131,950</b>	<b>40,808</b>	<b>54,611</b>	<b>43,951</b>	<b>38,712</b>	<b>36,037</b>	<b>33,362</b>	<b>65,945</b>	<b>445,376</b>
<b>Indexes</b>									
IGP-M index	28,516	206,321	-	-	-	-	-	258,380	493,217
Internal Eletrobrás Index – Finel	5,538	5,043	-	-	-	-	-	-	10,581
Reference Fiscal Unit – Ufir	35,477	23,130	23,816	22,343	22,343	19,083	14,518	52,328	213,038
Interbank certificates of deposit (CDI)	65,481	10,440	56,178	198,041	168,793	268,793	364,794	100,000	1,232,520
Other	15,298	6,167	271	243	214	153	153	680	23,179
	<b>150,310</b>	<b>251,101</b>	<b>80,265</b>	<b>220,627</b>	<b>191,350</b>	<b>288,029</b>	<b>379,465</b>	<b>411,388</b>	<b>1,972,535</b>
	<b>282,260</b>	<b>291,909</b>	<b>134,876</b>	<b>264,578</b>	<b>230,062</b>	<b>324,066</b>	<b>412,827</b>	<b>477,333</b>	<b>2,417,911</b>

The principal currencies and indices used for monetary updating of loans and financings underwent the following variations:

Currency	Variation in 2006	Variation in 2005	Indexors	Variation in 2006	Variation in 2005
	%	%		%	%
US dollar	(8.66)	(11.82)	IGP-M	3.83	1.21
Euro	1.85	(23.50)	FINEL	0.76	0.24
			CDI	15.05	18.15

The movement on loans and financings is as follows:

<b>Balance at December 31, 2005</b>	<b>2,135,117</b>
Financing obtained	710,212
Monetary and currency variation	(20,574)
Financial charges provisioned	273,981
Financial charges paid	(270,686)
Amortization of financings	(410,139)
<b>Balance at December 31, 2006</b>	<b>2,417,911</b>

Financings raised during 2006 are shown below:

Financing sources	Principal due date	Annual financial charges	Amount raised
<b>Brazilian currency</b>			
Banco do Brasil S.A. (*)	2006	103% of CDI	300,000
Banco do Brasil S.A.	2014	104% of CDI	300,000
Banco Bradesco S.A.	2014	CDI+1.70% p.a.	3,473
Banco Itaú BBA	2018	6% p.a.	51,808
ELETROBRÁS – Reluz	2009	6.5% p.a.	1,828
ELETROBRÁS – Luz p/ Todos	2016	6% p.a.	53,103
			<b>710,212</b>

(\*) Short term loan, for 3 months, paid within the year 2006 from funds obtained from the loan described immediately below.

### Restrictive covenants

Cemig Distribuição has loans and financing with restrictive covenants.

Description of clause/covenant	Index required
Debt / Ebitda;	<= 2.5
Debt / Ebitda;	<= 3.36
Net Debt / Ebitda	<= 3.25
Current liabilities / Ebitda	<= 90%
Debt / (Stockholders' equity + Debt)	<= 53%
Ebitda / Debt servicing	>= 2.8
Ebitda / Interest	>= 3.0
Ebitda / Financial expenses	>= 2.0
Capital expenditure / Ebitda	<= 60%

Net debt = Total debt less cash and tradable securities.

Ebitda = Profit before interest, taxes (on profit), depreciation and amortization.

Some contracts establish slight variations on this formula.

One of these restrictive covenants was not complied with:

Description of restrictive covenant	Index required	Position on 31/12/2006
Capex / Ebitda	>= 60%	73.59

The company gained consent from creditors that they will not exercise their rights to request immediate or anticipated payment of the principal amounts due before December 31, 2007. These financings are recorded in Current and Long-term liabilities, according to the terms of the original agreements, taking into account these consents.

### 17) – REGULATORY CHARGES

	31/12/2006	31/12/2005
Global Reversion Reserve – RGR	3,388	13,714
Fuel Consumption Account – CCC	60,427	2,046
Energy Development Account – CDE	24,252	20,801
Compulsory loan – Eletrobrás	1,207	1,207
Aneel inspection fee	1,832	1,765
National Scientific and Technological Development Fund - FNDCT	21,853	14,503
Energy efficiency	124,511	101,383
Research and development	50,306	32,259
Energy System Expansion Research	17,264	7,253
	<b>305,040</b>	<b>194,931</b>
Current liabilities	305,040	158,634
Non-current liabilities	-	36,297

**18) – POST-EMPLOYMENT OBLIGATIONS**

The Company is one of the sponsors of the Forluminas Social Security Foundation (Forluz), a non-profit corporate entity with the objective of providing its associates and participants, and their dependents and beneficiaries, with a monetary income to supplement their retirement and pension payments under the social security system.

Since January 1, 2005, with the unbundling of Cemig, Cemig Distribuição has been a sponsor of the Forluz pension funds by means of a participation of 72.45% in the plan's assets and liabilities on December 31, 2004. The percentage was calculated on the basis of the number of employees of Cemig allocated to the company.

Forluz makes the following benefit plans available to its associates, to supplement retirement payments:

Mixed Social Security Benefits Plan – This has a defined-contribution plan portion for retirement benefits, during a standard period, and a defined-benefit portion for disability or death of active participants. Cemig Distribuição's contribution is linked to the basic monthly contributions of the associates. This is the only plan new participants can join.

Cemig Distribuição contributes 30% to the defined-benefit portion of the plan (disability and death of the active participant), used for the amortization of obligations – the total of which is established by actuarial calculation. The remaining 70%, relating to the portion of the plan that has defined-contribution characteristics, is recognized in the Income statement for the period in accordance with the payments made by the company, under Personnel expenses.

Hence the obligations under the defined contribution portion (retirement supplement) of the Mixed Plan, and its respective Assets, in the same amount of R\$ 1,204,769, are not presented in this Note.

Balances Plan for Social Security Benefits ("Plan A") – Includes all the retired participants that have opted for this plan and the balances, on the option date, of the active participants that have opted for migration from the Defined Benefit Plan to the Mixed Plan.

Defined Benefit Plan – A benefit plan adopted by Forluz until 1998, which paid an amount based on average salary in the employee's final years at the company and on the amount of the benefit provided by the official Social Security system. On December 31, 2006, 23 active employees and 255 persons retired or receiving pensions were inscribed in the plan (at December 31, 2005: 23, and 251, respectively).

Independently from the plans made available by Forluz, Cemig Distribuição also continues to make payments of part of the life insurance premium for retired personnel and contributes to a health plan for employees, retired personnel and dependents, managed by Forluz.

The dental health plan was implemented in the third quarter of 2006 and the costs related to the retired participants were fully recognized in the income statement, in the amount of R\$ 7,162. The cost of service, in the amount of R\$ 21,000, relating to the active employees, was deferred for a period of 11 years.

**Amortization of the actuarial obligations**

Part of the actuarial obligation for post-employment benefits, in the amount of R\$ 954,474 on December 31, 2006 R\$1,104,487 on December 31, 2005) was acknowledged as an obligation to be paid by the company and will be amortized by June 2024, through monthly installments calculated by the constant installment system (known as the "Price" Table). Part of the amounts is adjusted annually

based on the security index of the Defined Benefit Plan (salary adjustment index of Cemig Geração e Transmissão employees, excluding productivity), and for the Balances Plan, with adjustment by the Expanded National Consumer Price Index (IPCA) of IPEAD (Minas Gerais Economic, Administrative and Accounting Research Institute), plus 6% per year.

If Forluz has a technical surplus for three consecutive years, this may be used to offset part of the company's obligations under the agreement.

Under this provision, the surplus obtained by Forluz in the business year of 2006, R\$ 149.972, will be used to amortize the negative balance.

The liabilities and expenses acknowledged by the company in connection with the Supplementary Retirement, Health and Life Insurance Plans are adjusted according to CVM Decision 371 and the technical report prepared by independent actuaries. The amounts recognizes in assets in the balance sheet at December 31, 2005, are shown here:

	<b>Pension plans and retirement supplement</b>	<b>Health plan</b>	<b>Dental health plan</b>	<b>Life insurance</b>
Present value of the actuarial obligations with matured rights	3,206,997	238,723	13,705	137,447
Present value of the actuarial obligations with rights to mature	422,322	86,649	4,980	90,904
Total obligations for post-employment benefits	3,629,319	325,372	18,685	228,351
Fair value of the assets of the plan	(2,885,774)	(21,521)	(279)	-
Present value of obligations not covered	743,545	303,851	18,406	228,351
Actuarial gains (losses) not acknowledged	(180,473)	(95,687)	9,329	47,669
Past service cost not acknowledged	(64,312)	(5,932)	(21,000)	(5,922)
<b>Net liabilities in the balance sheet</b>	<b>498,760</b>	<b>202,232</b>	<b>6,735</b>	<b>270,098</b>

The actuarial gains and losses not recognized which exceeded 10.00% of the total of the post-employment benefit obligations will be recognized in the income statement in approximately 11 years (the average time of future service of the present active participants), starting in 2007. Under this heading, actuarial losses on the Health Plan in the amount of R\$ 63,150 and actuarial gains on the Dental Care Plan and Life Insurance in the amount of R\$ 7,461 and R\$ 24,834, respectively, will be recognized.

The movements in net liabilities are as follows:

	<b>Pension plans and retirement supplement</b>	<b>Health plan</b>	<b>Dental health plan</b>	<b>Life insurance</b>
Net liability on December 31, 2005	617,144	184,138	-	248,710
Expenses acknowledged in the income statement	42,123	40,182	7,162	26,326
Contributions paid	(160,507)	(22,088)	(427)	(4,938)
Net liabilities on December 31, 2006	<b>498,760</b>	<b>202,232</b>	<b>6,735</b>	<b>270,098</b>
Current liabilities	87,369	-	-	-
Non-current liabilities	411,391	202,232	6,735	270,098

The amounts in Current liabilities are the contributions to be made by Cemig Distribuição in 2007 to amortize the actuarial obligations.

The amounts acknowledged in the 2006 income statement are as follows:

	<b>Pension plans and retirement supplement</b>	<b>Health plan</b>	<b>Dental health plan</b>	<b>Life insurance</b>
Current service cost	4,458	18,755	-	3,318
Interest on actuarial obligation	394,360	32,721	-	23,797
Income expected from the plan's assets	(366,656)	(2,662)	-	-
Actuarial (gains) losses not acknowledged	-	5,873	-	(1,886)
Losses arising from changes in the plan	10,049	1,099	-	1,097
Employees' contribution	(88)	(15,604)	-	-
Cost of past service	-	-	7,162	-
<b>Expense in 2006</b>	<b>42,123</b>	<b>40,182</b>	<b>7,162</b>	<b>26,326</b>

The estimate made by the independent actuary for the expenses to be acknowledged for the business year of 2007 is as follows:

	<b>Pension plans and retirement supplement</b>	<b>Health plan</b>	<b>Dental health plan</b>	<b>Life insurance</b>
Current service cost	4,031	21,617	386	3,767
Interest on actuarial obligation	395,383	34,185	2,111	25,452
Income expected from the plan's assets	(410,302)	(2,387)	(89)	-
Actuarial gains (losses) not acknowledged	-	5,588	658	(2,198)
Past service cost not acknowledged	10,049	1,099	1,852	1,097
Employees' contribution	(78)	(18,448)	(203)	-
<b>Expenses (revenue) in 2007</b>	<b>(917)</b>	<b>41,654</b>	<b>4,715</b>	<b>28,118</b>

The main actuarial premises on the balance sheet date are as follows:

	<b>Real</b>	<b>Nominal</b>
Discount rate p.a. used for present value of actuarial obligation	6.00%	11.30%
Return p.a. expected on the plan's assets	9.00%	14.45%
Long term inflation rate, p.a.	-	5.00%
Estimated future salary increases, p.a.	2.00%	7.10%
Actual annual growth rate of the continued income benefits	-	5.00%
General biometric mortality table		AT - 83
Biometric table for entrance into disability		Light Medium
Biometric disabled mortality table		IAPB-57
Expected annual turnover rate		2.00%

## 19) – PROVISIONS FOR CONTINGENCIES

The Company set up a provision for contingencies on lawsuits with likelihood of loss. On December 31, 2006, the amount of R\$ 2,664 was provisioned for labor contingencies, a reduction of R\$ 221 in relation to the previous year, due to reversal of the amount provisioned.

The company receives a subvention from Eletrobrás in relation to the discount on tariffs for low-income consumers. The company received an infringement notice from the federal tax authority of the State of Minas Gerais, which believes that the grant received should be included in the basis for calculation of the ICMS tax. The potential loss on this action is R\$ 78.193. Since the company believes it has arguments of merit for defense against this demand, no provision has been constituted for it. Expectation of loss in this action is rated "possible".

Cemig, the holding company controlling Cemig Distribuição, has legal proceedings for which it considers the likelihood of losing possible or remote. A possible negative outcome in these proceedings would affect Cemig Distribuição's business. The main cases are described below:

- Various consumers and the prosecuting attorney of the State of Minas Gerais filed civil claims against Cemig challenging tariff adjustments charged in previous years including the following subjects: extra ordinary tariff recomposition and inflation index used to increase the electricity tariff in April 2003. Reimbursement of 200% of any amounts considered to be wrongly charged by the company was applied for. The company believes it has arguments of merit for defense in court and, thus, has not made a provision for these actions.
- Cemig is the defendant in a suit challenging the charging of tax on public lighting in the total amount of R\$ 399.405. The company believes it has sound arguments in defense of this claim and, therefore, has made no provisions for this suit. The company assesses an unfavorable outcome as "possible".
- In the fourth quarter of 2006 the company reviewed the labor-law actions and the expectation of loss as a result of them, and this resulted in reduction of the amount provisioned.

### Social Security and tax obligations – indemnity for the "Anuênio" and profit shares

As disclosed in Explanatory Note 25, Cemig and its subsidiaries Cemig Distribuição paid an indemnity to the employees in 2006, in the amount of R\$ 127,058, 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 and the National Social Security Institution, the company decided to file for an order of mandamus to allow payment into Court of the amount of any obligations, in the amount of R\$ 87,268, posted in Deposits related to legal actions in Long term assets. No provision was made for possible losses in this matter. The company classifies the risk of loss in this action as "possible".

## 20) – STOCKHOLDERS' EQUITY AND REMUNERATION OF STOCKHOLDERS

The registered capital of Cemig Distribuição is R\$ 2,261,998, represented by 2,261,997,787 nominal common shares, without par value, wholly owned by Cemig.

### (a) Dividends

50% of the net profit for the period will be distributed to the Holding Company as obligatory dividends.

Without prejudice to the obligatory dividends, every two years as from fiscal 2005, or more frequently if cash is available, the company may distribute extraordinary dividends within the limits of cash available, as decided by the Board of Directors, subject to the guidelines of the company's Strategic Plan.

Declared dividends, including obligatory or extraordinary dividends, will be paid in two (2) equal installments, by June 30 and by December 30 of the year subsequent to the profit to which they relate; the Executive Board shall establish the location and process of payment.

This table shows the calculation of the dividends proposed for distribution to the holding company for the business year of 2006:

	<u>31/12/2006</u>	<u>31/12/2005</u>
<b>Obligatory dividend</b>		
Net profit for the period	769,567	990,129
Obligatory dividend – 50.00% of net profit	384,783	495,065

**Proposed dividends**

Interest on Equity	181,963	220,544
Supplementary dividends	549,126	720,079
Total .	731,089	940,623

**Dividends per thousand shares – R\$**

Obligatory dividend	170,11	218,86
Proposed dividends	323,21	415,84

Article 9 of Law 9249 of December 26, 1995 makes Interest on Equity paid to stockholders a deductible expense for income tax and Social Contribution purposes. The Interest on Equity of Cemig Distribuição for 2006 was calculated applying the TJLP long-term interest rate to Adjusted stockholders' equity. The date and method of payment will be decided at a later date.

The tax benefit arising from payment of Interest on Equity of R\$ 181,963 was R\$ 61,867, acknowledged in the income statement.

**(b) Legal reserve**

5.00% of the 2006 net profit was allocated to the Legal Reserve, in the amount of R\$ 38,478. The balance of the Reserve on December 31, 2006 was R\$ 87,984.

**21) – GROSS RETAIL SUPPLY OF ELECTRICITY**

The table below shows the supply of electricity, per class of consumers:

	(Not audited)					
	Nº of consumers		MWh		R\$	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Residential	5,064,556	4,927,966	6,647,041	6,589,664	3,301,486	5,064,556
Industrial	70,668	69,084	4,838,856	5,333,436	1,421,587	70,668
Commercial, services and other	549,378	537,656	3,850,688	3,754,005	1,679,834	549,378
Rural	495,067	417,026	1,937,504	1,940,701	513,827	495,067
Public power	49,381	47,731	598,730	570,536	252,223	49,381
Public lighting	2,548	2,224	1,051,169	1,022,433	268,857	2,548
Public services	7,654	7,400	1,015,619	981,016	263,186	7,654
Subtotal	6,239,252	6,009,087	19,939,607	20,191,791	7,701,000	6,239,252
Own consumption	796	769	30,309	28,897	-	796
Grant for low-income consumers	-	-	-	-	132,186	-
Uninvoiced supply, net	-	-	-	-	72,845	-
	6,240,048	6,009,856	19,969,916	20,220,688	7,906,031	6,240,048
Supply to other concession holders	-	4	-	88,115	-	-
Energy transactions at CCEE	-	-	-	-	59,635	-
<b>Total</b>	<b>6,240,048</b>	<b>6,009,860</b>	<b>19,969,916</b>	<b>20,308,803</b>	<b>7,965,666</b>	<b>6,240,048</b>

Tariff adjustment

Cemig's distribution tariffs were increased by an average 7.05% from April 08, 2006. The tariff adjustment for each consumer type was different, with the objective of gradually reducing cross-subsidies between consumer types, as explained in an official note by Aneel. For example, the increase for residential consumers was 5.14%, while the increase for high-voltage consumers was 10.32%.



### Low-Income Consumers

The federal government, through Eletrobrás (Centrais Elétricas Brasileiras) – reimburses distributors for billing losses incurred from 2002 onward as a result of the new Low-income Residential sub-category of consumers, in view of the lower tariff applied in their electricity bills.

### **22) – INCOME FROM THE USE OF GRID**

As from January 2005, a significant portion of large consumers became “free” consumers – electricity being sold to them through Cemig Geração e Transmissão. At this time Cemig Distribuição began to charge these consumers separately, for the use of the distribution grid (the “TUSD” charge), this income being recorded under “Charges for use of the grid”.

### **23) – OTHER OPERATING REVENUE**

	<u>31/12/2006</u>	<u>31/12/2005</u>
Taxed service	9,718	11,167
Other services rendering	16,250	13,455
Rental and leasing	27,862	28,223
Other	3,069	496
	<u><b>56,899</b></u>	<u><b>53,341</b></u>

### **24) – DEDUCTIONS FROM OPERATING REVENUE**

	<u>31/12/2006</u>	<u>31/12/2005</u>
ICMS (state VAT)	1,978,972	1,889,870
COFINS	801,893	645,964
Global Reversion Reserve – RGR	8,598	24,396
PIS-Pasep	180,908	148,528
Emergency capacity charge	(1,652)	168,907
Other	345	454
	<u><b>2,969,064</b></u>	<u><b>2,878,119</b></u>

Cemig Distribuição pays the ICMS on the RTE based on the amounts of consumer electricity invoices.

The reduction in an amount provisioned for RGR in 2006 is due to the adjustment in the provision for the year 2000, in the amount of R\$ 15.798, due to ratification by Aneel of that expense at an amount lower than estimated by the company.

As from December 2005, in accordance with Aneel Normative Resolution 204 of December 22, 2005, the charges for emergency capacity are no longer applied. The reversal of expense of R\$ 1,652 in 2006 refers to adjustment of amounts provisioned in previous years relating to Free Consumers.

## 25) – OPERATIONAL COSTS AND EXPENSES

	<u>31/12/2006</u>	<u>31/12/2005</u>
Personnel	733,944	595,275
Employee profit shares	150,432	187,477
Post-employment obligations	115,793	111,189
Materials	58,520	73,444
Third party services	329,204	312,477
Electricity purchased for resale	1,981,437	1,890,075
Depreciation and amortization	367,294	363,672
Financial compensation for the use of water resources	11,581	32,790
Operating provisions	108,834	133,240
Fuel consumption account – CCC	442,960	387,126
Charges for use of the transmission grid	515,224	554,363
Energy Development Account - CDE	294,170	279,025
Provision for losses in recovering extraordinary tariff adjustment	158,038	172,805
Other expenses, net	140,796	131,678
	<u><b>5,408,227</b></u>	<u><b>5,224,636</b></u>
<b>a) PERSONNEL EXPENSES</b>	<u><b>31/12/2006</b></u>	<u><b>31/12/2005</b></u>
Remuneration and charges on payroll	613,735	562,619
Contributions to pension plan – Defined contribution	36,217	48,097
Assistential benefits	86,331	62,722
	<u>736,283</u>	<u>673,438</u>
( - ) Personnel costs transferred to Works in progress	<u>(129,397)</u>	<u>(79,549)</u>
	<u>606,886</u>	<u>593,889</u>
Indemnity for future “anuênios”	127,058	-
Voluntary dismissal program	-	1,386
	<u><b>733,944</b></u>	<u><b>595,275</b></u>

### INDEMNITY FOR THE “ANUÊNIO”

On April 27, 2006, the company presented a proposal to the employees for indemnity in exchange for their future right relating to 1.00% incorporated annually into their salaries (referred to as the “anuênio”). The amount of the indemnity corresponds to the estimate of the future “anuênios” of the employees up to their completing 35 years’ contribution to the INSS, discounted to present value at a rate of 12.00% p.a., with subsequent application of a variable percentage reduction factor set by the company. The period for employees to opt for acceptance was completed on June 30, 2006, and the payment of the indemnity, in the amount of R\$ 127,058, was made in the period June through August 2006.

### b) EMPLOYEE PROFIT SHARING

The basic criterion for employee profit shares for 2005 was 3% of the operating result, adjusted by certain items defined by Aneel at the Annual Settling of Accounts (PAC). An additional payment of R\$ 98,756 million was agreed in the November 2006 annual wage negotiation with the Unions. The additional amount was paid during the business year itself.

The resulting total of employee profit shares paid by the company for 2006, including the pension fund contribution thereon, was R\$ 150,432.

**c) OUTSOURCED SERVICES**

	<b>31/12/2006</b>	<b>31/2/2005</b>
Communication	92,653	84,254
Maintenance and conservation of facilities and electric equipment	44,041	40,877
Conservation and cleaning of buildings	54,352	50,240
Hired labor	14,909	16,028
Freight and travel tickets	15,667	11,126
Travel and freight	3,905	1,671
Accommodation and food	10,386	10,571
Security services	4,291	4,226
Consulting	6,836	5,541
Maintenance and conservation of furniture and equipment	18,908	16,300
Maintenance and conservation of vehicles	12,992	13,707
Disconnection and reconnection	19,864	16,362
Other	30,400	41,574
	<b>329,204</b>	<b>312,477</b>

**d) ELECTRICITY BOUGHT FOR RESALE**

	<b>31/12/2006</b>	<b>31/12/2005</b>
Itaipu Binacional	821,567	825,716
Short term purchases	73,018	84,935
Bilateral Contracts	119,648	-
"Initial Contracts"	56,801	470,178
Cemig Geração e Transmissão	70,797	442,304
Electricity acquired at auction	793,153	50,747
Proinfa	40,643	-
Other	5,810	16,195
	<b>1,981,437</b>	<b>1,890,075</b>

**e) OPERATIONAL PROVISIONS**

	<b>31/12/2006</b>	<b>31/12/2005</b>
Retirement premium	4,441	8,303
Provision for doubtful credits	104,612	98,841
Labor contingencies	(219)	2,885
Other	-	23,211
	<b>108,834</b>	<b>133,240</b>

**F) ENERGY EFFICIENCY AND RESEARCH & DEVELOPMENT ("R & D")**

Under the regulations of the electricity sector, electricity distribution and generation companies are required to invest 1.00% of their net sales revenue in programs for energy efficiency, and research and development. Some energy efficiency and research and development programs related to the revenue of previous periods have not yet been concluded by the agents of the electricity sector, and there are still expenditures to be realized. This delay arises from the time used in the preparation of the projects and their approval by Aneel.

In compliance with an instruction by Aneel, Cemig Distribuição recognized as an expense in the income statement for 2005 the expenditure to be realized and for which it has received the corresponding tariff in previous years, in the amount of R\$ 194,591.

In 2006, Aneel issued a new ruling, whereby the funds that had been invested in previous years in assets recorded in Fixed assets should be recognized in the Income statement in Special Obligations. Due to this new ruling, the company also recorded the amount of R\$ 80,932 in addition to the 1.00% of net revenue.

Although the amount mentioned above is related to periods prior to 2005, the Company did not record this amount directly in an account of Stockholders' Equity due to the fact that Cemig Distribuição began operating in 2005, hence the rules of CVM Ruling 506 related to registry of adjustments for previous years do not apply.

<b>g) OTHER OPERATIONAL EXPENSES</b>	<b>31/12/2006</b>	<b>31/12/2005</b>
Leases and rentals	25,925	22,744
Advertising	17,414	26,658
Own consumption of electricity	15,607	11,525
Grants and donations	28,516	18,860
Aneel inspection fee	21,783	19,792
Taxes and fees (IPTU, IPVA and others)	26,488	19,785
Contribution to MAE	1,193	217
Insurance	1,572	865
Other	2,298	11,232
	<b>140,796</b>	<b>131,678</b>

## 26) - FINANCIAL REVENUE (EXPENSES)

	<b>31/12/2006</b>	<b>31/12/2005</b>
<b>FINANCIAL REVENUE</b>		
Income from cash investments	59,040	85,139
Penalty charges for late payment of electricity bills	124,495	79,065
Monetary variation of CVA	79,839	125,142
Monetary variation – under the General Agreement for the Sector	201,867	269,371
Monetary Variation – Deferred Tariff Adjustment	194,781	229,131
Currency variation	65,383	95,136
Pasep and Cofins on financial revenue	(22,932)	(28,329)
Gains on financial instruments (Note 30)	1,330	517
Other	64,353	27,335
	<b>768,156</b>	<b>882,507</b>
<b>FINANCIAL EXPENSES</b>		
Charges on loans and finance	(271,238)	(217,296)
Monetary variation – under the General Agreement for the Sector	(63,427)	(92,126)
Monetary variation of CVA	(57,727)	(42,420)
Currency fluctuation	-	(12,469)
Monetary variation – loans and financings	(17,835)	(7,254)
CPMF tax	(47,059)	(41,471)
Losses on financial instruments (note 30)	(77,191)	(86,334)
Provision for losses on recovery of Tariff Recomposition amounts	(7,759)	(82,285)
Other	(36,965)	(54,429)
	<b>(579,201)</b>	<b>(636,084)</b>
Interest on Equity	<b>(181,963)</b>	<b>(220,544)</b>
<b>NET FINANCIAL REVENUE (EXPENSES)</b>	<b>6,992</b>	<b>25,879</b>

The Pasep and Cofins expenses are applicable to the financial revenues on the regulatory assets, that are realized through electricity invoices to clients.

## 27) – NON-OPERATIONAL REVENUE (EXPENSES)

	<b>31/12/2006</b>	<b>31/12/2005</b>
Net loss on deactivation and sale of assets	(15,925)	(21,091)
Forluz – administrative cost	(9,795)	(9,242)
Other expenses, net	220	(383)
	<b>(25,500)</b>	<b>(30,716)</b>

## 28) – TRANSACTIONS WITH RELATED PARTIES

The principal balances and transactions between Cemig Distribuição and related parties are as follows:

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSE	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
<b>CEMIG</b>								
Affiliates, subsidiaries, parent company	1,125	1	1,378	6,552	-	-	-	-
Interest on Equity, and dividends	-	-	670,712	907,541	-	-	(181,963)	(220,544)
<b>Cemig Geração e Transmissão S.A.</b>								
Affiliates, subsidiaries, parent company	3,256	6,273	5,760	2	-	-	-	-
Suppliers	-	-	-	65,947	-	-	-	-
Electricity bought for resale	-	-	-	-	-	-	(77,585)	(484,913)
<b>Minas Gerais state government</b>								
Consumers and resellers	2,923	1,311	-	-	56,773	50,806	-	-
Taxes, charges and contributions – ICMS	1,625	1,625	209,283	164,108	(1,978,972)	(1,889,870)	-	-
Taxes able to be offset ICMS	202,886	153,962	-	-	-	-	-	-
Consumers and resellers	36,545	44,239	-	-	-	-	-	-
<b>FORLUZ</b>								
Post-employment obligations – Current	-	-	87,369	114,866	-	-	(115,793)	(111,189)
Post-employment obligations – Non-current	-	-	890,456	935,126	-	-	-	-
Other	-	-	47,604	25,638	-	-	-	-
Personnel expenses	-	-	-	-	-	-	(36,217)	(48,097)
Administrative current costs	-	-	-	-	-	-	(9,795)	(9,242)
<b>OTHERS</b>								
Affiliates, subsidiaries or parent companies	6,406	7,005	-	-	-	-	-	-

The company has electricity purchase contracts with Cemig Geração e Transmissão in the period 2006 to 2013, arising from the public auction of “existing energy” held in 2005. Note that these contracts were signed only after completion of the auction in a process coordinated by the CCEE.

For more information about the major transactions made, please see Notes 5, 9, 15, 18, 20, 24, 25, 26 e 27.

## 29) – RISK EXPOSURE AND RISK MANAGEMENT

As holder of a concession in the Brazilian electricity sector, the company operates in environments where factors such as company restructuring, regulations issued by governmental bodies, technological improvement, globalization, and variations in the consumer market are risk factors.

The company has implemented a Corporate Risk Management project with the goals of understanding any event which may lead to loss of value to stockholders, and structuring the company to operate pro-actively as regards its risk environment.

The main market risks that affect the company’s businesses are listed below:

### a) Exchange rate risk

The company is exposed to the risk of variation in the exchange rate for the US dollar against the Real, with significant impact on its indebtedness, results, and cash flow. To reduce the company’s exposure to exchange rate variation, at December 31, 2006, Cemig Distribuição had swap

transactions exchanging variation in the US dollar for rates based on the local CDI interest rate, totaling R\$ 239,279, corresponding to US\$ 111,917 (See Note 30).

The net exposure to the exchange rate is as follows:

<b>EXPOSURE TO EXCHANGE RATES</b>	<b>31/12/2006</b>	<b>31/12/2005</b>
US dollar		
Loans and financings	425,968	496,795
( - ) Contracted hedge/swap transactions	(239,279)	(278,377)
	<u>186,689</u>	<u>218,418</u>
Other foreign currencies		
Loans and financings		
Euro	18,601	20,090
Other	807	4,496
	<u>19,408</u>	<u>24,586</u>
<b>Net exposure</b>	<b><u>206,097</u></b>	<b><u>243,004</u></b>

#### b) Interest rate risk

Cemig Distribuição is exposed to the risk of increased foreign interest rates, with an impact on loans and finances in foreign currency with floating interest rates (especially Libor). On December 31, 2006 this exposure totaled R\$81,464.

As regards the risk of increased domestic interest rates, the company believes that such risk has been reduced by the assets which are also indexed to interest rates, as shown below:

<b>EXPOSURE TO DOMESTIC INTEREST RATES</b>	<b>31/12/2006</b>	<b>31/12/2005</b>
<b>Assets</b>		
Cash investments	143,525	505,307
Regulatory assets	1,770,037	1,858,975
	<u>1,913,562</u>	<u>2,364,282</u>
<b>Liabilities</b>		
Loans and financings	(1,232,520)	(956,548)
Regulatory liabilities	(775,668)	(601,703)
Contracted hedge/swap operations	(239,279)	(278,377)
	<u>(2,247,467)</u>	<u>(1,836,628)</u>
<b>Assets exceeding obligations (Net liability exposure)</b>	<b><u>(333,905)</u></b>	<b><u>527,654</u></b>

#### c) Credit risk

The risk of Cemig Distribuição incurring losses as a result of difficulties in collecting amounts billed to customers is considered to be low. A significant part of the gross supply of energy is scattered among a large number of consumers. The company's procedures for reducing overdue bills include issuing a notice informing that bills are overdue, telephone calls, and negotiations aiming to collect bills in arrears. After all of the possibilities to settle past due bills have been attempted, the company will disconnect supply.

#### d) Debt early maturity risk

The company has loans and financing agreements with restrictive clauses (“covenants”), such as are common in this type of transaction, relating to economic and financial ratios, cash flow, and other indicators. Failure to comply with such clauses could result in early maturity of some obligations. One of these restrictive covenants was not complied with, and the company obtained a formal waiver from the creditors of the requirement for anticipated payment (see Note 17).

### 30) – FINANCIAL INSTRUMENTS

Financial instruments are restricted to Cash and cash equivalents, Consumers and resellers, Loans and financings, Liabilities under debentures, and swaps, in which profits and losses obtained in the transactions are recorded in full by the accrual method.

#### a) Market value

The market values of financial assets and liabilities are determined on the basis of market information available and appropriate valuation methods. The use of difference market assumptions and/or estimating methods could cause a different effect on the estimated market values.

The accounting balances of cash investment on December 2006 and 2005 are equivalent to market values since they are recorded at realization value. The market values of loans and financings and swap transaction were calculated at present value of these instruments, using the interest rate practiced by the market for transactions of similar nature, tenor and risk as shown below.

The market value of the derivative instruments is shown below:

	31/12/2006	
	Book value	Market value
<b>Assets</b>		
Financial investments	143,525	143,525
<b>Liabilities</b>		
Loans and financings	2,417,911	2,370,433
Contracted hedge transactions	134,877	134,866
	<b>2,552,788</b>	<b>2,505,299</b>

#### b) Derivative instruments

Derivative instruments are used to hedge the company’s transactions against risks resulting from exchange rate variation, and are not used for speculative purposes.

The principal amounts of derivative transactions are not recorded in the balance sheet, as these transactions do not require cash flow, but the gains earned or losses incurred are recorded. The total of realized and unrealized net results in these operations amounted to losses, in 2006 and 2005 of R\$ 75,861 and R\$ 85,817 respectively. These were recorded in Financial revenue (expenses).

Recognition of unrealized net results of transactions in derivatives is made on the accrual basis for each business year, which may result in differences when compared to the estimated market value of such instruments. This difference is due to the fact that the market value includes recognition at present value of future gains or losses to be incurred in the transactions, depending upon the market expectation when the market value is calculated.

The table below shows the derivative instruments contracted by the company, unrealized gains

(losses) recorded, and the respective estimated market value of these instruments at December 31, 2006:

Receivable by Cemig Distribuição	Payable by Cemig Distribuição	Maturity period	Principal amount contracted - thousands	31/12/2006	
				Book Value	Estimated market value
Variation in US\$ + rate (5.58% p.a. to 7.14% p.a.)	R\$: 100% of CDI + rate (2.00% p.a. to 3.01% p.a.)	From 12/2007 to 06/2013	US\$111,917	(134,877)	(134,866)

### 31) – INSURANCE

Cemig Distribuição maintains insurance policies against damage to certain items of its assets, as follows:

Assets	Coverage	Effective date	Amount insured	Annual premium
Aircraft	Fuselage	24/04/2006 a 28/04/2007	14,601	229
Supplies, facilities and telecom equipment	Fire	10/07/2006 to 10/07/2007	390,032	63
Operating risk – power equipment	Total	05/05/2006 to 05/05/2007	509,525	982

Cemig Distribuição maintains no casualty insurance policies, and is not currently requesting proposals for this type of insurance. The company also has not requested proposals and holds no policies in effect against events which could affect its facilities, such as earthquake and flood, system failures, or risk of business disruption.

Cemig Distribuição has not experienced significant losses as a result of the aforementioned risks.



### 32) – CONTRACTUAL OBLIGATIONS

The company has contractual obligations and covenants, including amortizations of loans and financings, agreements with contractors for the construction of new developments, purchase of electricity from Itaipu, and other suppliers, as follows:

	2007	2008	2009	2010	2011	2012	2013 and subsequent years	Total
loans and financings	282,260	291,909	134,876	264,578	230,062	324,066	890,160	2,417,911
Purchase of electricity from Itaipu (1)	1,210,865	1,210,865	1,210,865	1,210,865	1,210,865	1,210,865	504,527	7,769,717
Transportation of Electricity from Itaipu (1)	72,580	72,580	72,580	72,580	72,580	72,580	30,242	465,722
Light For Everyone Program	204	-	-	-	-	-	-	204
Cresce Minas I Sales Management System	174	477	-	-	-	-	-	651
	77	41	16	-	-	-	-	134
Pension plan debt - Forluz	87,369	64,283	68,140	69,593	63,005	61,388	540,696	954,474
<b>Total</b>	<b>1,653,529</b>	<b>1,640,155</b>	<b>1,486,477</b>	<b>1,617,616</b>	<b>1,576,512</b>	<b>1,668,899</b>	<b>1,965,625</b>	<b>11,608,813</b>

Contract with Furnas, in US dollars, for purchase of electricity from Itaipu up to May 2013.

### 33) – PERIODIC REVIEW OF TARIFFS OF ELECTRICITY DISTRIBUTION CONCESSIONS – MATERIAL ANNOUNCEMENT

Aneel Resolution 234 of October 31, 2006, set out new concepts and guidelines for the second cycle of the periodic review of tariffs of electricity distribution concessions.

The following are the main changes:

Special Obligations will be start to be amortized with the next Tariff Review, being posted as credits in the income statements of the distributors, using the average rate for the assets from which they originate. They will also no longer be considered in the decision on tariffs.

The Asset Base to be used in the second Periodic Tariff Review will be the previous Base, updated by the IGP-M inflation index, with addition/subtraction of any new additions or write-offs that have taken place during the period.

In determining the operational costs to be covered by the tariffs, Aneel will continue to use the "Reference Company" as a base for comparison.

The future financial impacts arising from the second Periodic Tariff Review (in Cemig's case, this will be in 2008) are still being analyzed by management, and it is not at present possible to estimate the effect on our business.

### 33) – SUBSEQUENT EVENTS

#### Issue of promissory Notes

On January 2, 2007, Cemig Distribuição issued twenty Promissory Notes in favor of Banco Citibank S.A., in the total amount of R\$ 200 million, maturing in a single payment on July 1, 2007, with interest at 102% of the local Brazilian CDI rate. These Promissory Notes aimed to replenish the cash used in payments of debt made between August and December 2006.

**APPENDIX I**

**STATEMENT OF CASH FLOWS**

YEARS ENDING DECEMBER 31, 2006 AND 2005

(In thousands of Reals; according to Brazilian accounting principles)

	<u>31/12/2006</u>	<u>31/12/2005</u>
<b>FROM OPERATIONS</b>		
Net profit for the period	769,567	990,129
Expenses (revenue) not affecting cash flow		
Depreciation and amortization	367,294	363,672
Net disposal of fixed assets	15,093	26,141
Interest and long term monetary variations	(161,087)	(497,961)
Deferred income tax and Social Contribution	(125,100)	338,694
Provisions for operating losses	104,391	101,726
Provision for Extraordinary Tariff Adjustment	7,759	82,285
Regulatory assets – PIS, Pasep and Cofins taxes	-	(76,244)
Post-employment obligations	115,793	111,189
Deferred Tariff Adjustment	-	(591,010)
	<u>1,093,710</u>	<u>848,621</u>
(Increase) reduction of assets		
Consumers and traders	(324,446)	(160,442)
Extraordinary Tariff Adjustment	257,171	260,577
Taxes recoverable	(32,936)	(123,769)
Energy transportation	(55,543)	(250,492)
Other current assets	294,353	53,419
Regulatory assets – PIS, Pasep and Cofins taxes		27,371
Other current assets	115,280	(90,085)
Anticipated expenses – CVA	(147,972)	88,075
Other long-term receivables	(18,481)	74,458
	<u>197,838</u>	<u>(120,888)</u>
Increase (reduction) of liabilities		
Suppliers	(94,817)	172,410
Taxes and Social Contribution	(4,439)	(5,189)
Salaries and obligatory payroll-related expenses	996	33,694
Regulatory charges	84,361	124,287
Loans and financings	(1,008)	7,759
Post-employment obligations	(187,960)	(186,549)
Anticipated expenses – CVA	92,551	179,009
Others	86,621	(93,788)
	<u>(23,695)</u>	<u>231,633</u>
<b>CASH GENERATED BY OPERATIONS</b>	<b>1,267,853</b>	<b>959,366</b>
<b>FINANCING ACTIVITY</b>		
Financings obtained	410,212	709,407
Short term loans	300,000	-
Payments of loans and financings	(410,139)	(289,075)
Interest on Equity and dividends	(967,918)	-
	<u>(667,845)</u>	<u>420,332</u>
<b>TOTAL INFLOW OF FUNDS</b>	<b>600,008</b>	<b>1,379,698</b>
<b>CAPITAL EXPENDITURE</b>		
On investments	(859)	(1,236)
On PP&E	(1,217,677)	(921,075)
Special Obligations (contributions from consumers)	299,370	75,873
	<u>(919,166)</u>	<u>(846,438)</u>
<b>NET CHANGE IN CASH POSITION</b>	<b>(319,158)</b>	<b>533,260</b>
<b>STATEMENT OF VARIATION IN CASH POSITION</b>		
Start of year	533,261	1
End of year	<u>214,103</u>	<u>533,261</u>

	<u>(319,158)</u>	<u>533,260</u>
<b>PAYMENTS MADE DURING THE YEAR</b>		
Interest on loans and financings	270,686	155,236
Income tax and Social Contribution	471,574	262,262
<b>TRANSACTIONS NOT INVOLVING OUTFLOW OF CASH</b>		
Financial charges transferred to Fixed assets	2,743	59

**APPENDIX II**

**ADDED VALUE STATEMENT**

	<u>31/12/2006</u>	<u>31/12/2005</u>
<b>REVENUES</b>		
Sale of energy and services	9,283,286	9,274,966
Provision for doubtful receivables	(104,612)	(98,841)
Non-operational revenue (expenses)	<u>(25,500)</u>	<u>(30,716)</u>
	9,153,174	9,145,409
<b>INPUTS AND SERVICES ACQUIRED FROM THIRD PARTIES</b>		
Electricity bought for resale	(1,981,437)	(1,890,075)
Charges for use of the basic grid	(515,224)	(554,363)
Outsourced services	(329,204)	(312,477)
Materials	(58,520)	(73,444)
Other operational costs	<u>(92,605)</u>	<u>(378,638)</u>
	(2,976,990)	(3,208,997)
<b>GROSS VALUE ADDED</b>	6,176,184	5,936,412
<b>RETENTIONS</b>		
Depreciation and amortization	<u>(367,294)</u>	<u>(363,672)</u>
<b>NET VALUE ADDED</b>	<u>5,808,890</u>	<u>5,572,740</u>
<b>ADDED VALUE RECEIVED BY TRANSFERS</b>		
Financial revenues	<u>791,088</u>	<u>910,836</u>
<b>ADDED VALUE TO BE DISTRIBUTED</b>		
	<u>6,599,978</u>	<u>6,483,576</u>
	<u>6,599,978</u>	<u>6,483,576</u>
<b>ADDED VALUE - DISTRIBUTION</b>		
	<u>                        </u>	<u>                        </u>
	<u>                        </u>	<u>                        </u>
<b>Personnel and charges on payroll</b>	<u>1,108,345</u>	<u>769,397</u>
<b>Taxes, charges and contributions</b>	<u>4,163,999</u>	<u>4,188,978</u>
<b>Financial expenses and rentals</b>	<u>558,067</u>	<u>535,072</u>
<b>Interest of Equity and dividends</b>	<u>731,089</u>	<u>940,623</u>
<b>Retained earnings</b>	<u>38,478</u>	<u>49,506</u>
	<u>6,599,978</u>	<u>6,483,576</u>
	100	100
	%	%

## Opinion of external auditors

(Source: Standardized Financial Statements (DFPs) at 31/12/06 filed with the CVM.)

### *"REPORT OF INDEPENDENT AUDITORS*

*To the Shareholders and the Board of Directors of  
Cemig Distribuição S.A.  
Belo Horizonte - MG*

1. *We have examined the balance sheets of Cemig Distribuição S.A., prepared on December 31, 2006 and 2005, and the corresponding income statements, statements of changes in stockholders' equity and sources and uses of funds for the periods ending on those dates, which were prepared under the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements.*

2. *Our examinations were conducted according to the Brazilian auditing rules and comprised: (a) planning of the work, taking into account the significance of the balances, volume of transactions and the company's accounting and internal controls system; (b) checking, on a test basis, of the evidence and records supporting the amounts and accounting information disclosed; and; (c) evaluation of the most significant accounting practices and forecasts adopted by the company's management, and the presentation of the financial statements as a whole.*

3. *In our opinion, the financial statements mentioned in Paragraph 1 above adequately represent, in all material aspects, the equity and financial situation of Cemig Distribuição S.A. at December 31, 2006 and 2005, and the results of its operations, changes in stockholders' equity and sources and uses of funds for the periods ending on those dates, according to Brazilian accounting practices.*

4. *Our examinations were conducted with the objective of issuing an opinion on the basic financial statements referred to in paragraph 1, taken as a whole. The statement of cash flows and the added value statement, given in detail in Appendices I and II, are presented to provide supplementary information about the company, and are not required as part of the basic financial statements according to Brazilian accounting practices. The statement of cash flows and the added value statement were submitted to the same auditing procedures described in paragraph 2 and, in our opinion, these supplementary statements are adequately presented, in all their material aspects, in relation to the basic financial statements for the years ended December 31, 2006 and 2005, taken as a whole.*

5. *As mentioned in accompanying note 11 of the financial statements, as a result of the periodic tariff review specified in the concession agreements of the electricity distribution companies, The National Electricity Agency (Aneel) set the Company's tariff restatement, temporarily, on April 7, 2004, at 37.86%, applied to retail electricity supply tariffs backdated to April 8, 2003. On April 7, 2005, Aneel definitively changed this percentage to 44.41%. This change resulted in an increase of gross revenue in the amount of R\$ 591,010 thousand and an increase in net profit for the period ending on December 31, 2005 of R\$ 335,398 thousand, after tax effects.*

*Belo Horizonte, February 28, 2007.*

*DELOITTE TOUCHE TOHMATSU  
Auditores Independentes  
CRC-2SP 011.609/O-8 F/MG*

*Gilberto Grandolpho  
Accountant  
CRC-SP 139.572/O-5 S/MG"*

## About the information

During the period to which this report refers the company maintained its registry for listing with the CVM up-to-date and also maintained its information with the Fiduciary Agent updated.

## Statement

**Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.** warrants that it is fully qualified to continue to exercise the function of Fiduciary Agent for the Issue, and that it is not aware of any omission or misrepresentation in the information disclosed by the company, nor of any default or delay in the company's obligation to provide information.

Rio de Janeiro, April 27, 2007

**Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.**  
Fiduciary Agent