CEMIG DISTRIBUIÇÃO S.A.

2nd ISSUE OF BOOK-ENTRY DEBENTURES NOT CONVERTIBLE INTO SHARES

Annual Report of the Fiduciary Agent

Year of 2007

Rua Dr.Renato Paes de Barros, 717 – 6º e 10º and. CEP 04530-001 – São Paulo
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ANNUAL REPORT OF THE FIDUCIARY AGENT TO THE HOLDERS OF THE 2ND ISSUE OF NON-CONVERTIBLE DEBENTURES BY CEMIG DISTRIBUIÇÃO S.A. – LISTED COMPANY – CNPJ/MF: 06.981.180/0001-16

In compliance with Article 68, Paragraph 1, Sub-clause B, of Law 6404 of November 15, 1976, and Item XVII of Article 12 of CVM Instruction 28 of November 23, 1983, we hereby present to you this Annual Report of CEMIG DISTRIBUIÇÃO S.A., for the business year ended December 31, 2007, in which we highlight the material aspects of interest to yourselves, the Debenture Holders.

1 – THE DEBENTURES:

Authorization.

Decided by the meeting of the Board of Directors of CEMIG DISTRIBUIÇÃO S.A. held on 30/08/2007 and 30/10/2007, registered with the CVM (Brazilian Securities Commission – *Comissão de Valores Mobiliários*) on 17/12/2007 under number CVM/SRE/DEB-2007/048, ISIN BRCMGDDBS017 and Code Number CETIP CMDT12.

B. Characteristics.

	R$ 400,000,000.00
Number of securities	40,000
Nominal unit value	R$ 10,000.00
Type	Unsecured
Guarantee	None
Form	Book-entry
Class	Non-convertible into shares
Date of issue	December 15, 2007
Date of maturity	December 15, 2017
Number of series	Single Series
Remuneratory interest	IPCA Index + 7.96%
Interest payments	Annually on December 15
Renegotiation	None
Premium	None
Amortization	1st installment 33.33% December 15, 2015 2nd installment 33.33% December 15, 2016 3rd installment 33.33% December 15, 2017
Mandated bank	Banco Bradesco
Rating agency: FITCH RATING On the issue date	A+(bra) – Denotes a low credit risk compared to other issuers or issues of the same country. However, adverse changes in business, economic or financial conditions may possibly affect the payment capacity of these obligations within the expected period more than for higher categories of rating. The (+) sign is used to better identify its position within

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	this rating category.

C. Custody position on December 31, 2007:

	ALL SERIES
Debentures issued	40,000
Debentures held in treasury	-
Debentures in circulation	40,000
Debentures redeemed	-
Debentures cancelled	-

D. Changes in the issue conditions:

FIRST AMENDMENT – December 13, 2007

The Parties agree to enter into this Amendment to the Deed ("the First Amendment"), with the following clauses and conditions:

Clause 1. All terms indicated in capital letters not expressly defined in this First Amendment shall have the meanings attributed to them in the Deed.

Clause 2. Clause 2.1 of the Deed is hereby altered, to have the following drafting:

"**2.1. Filing and publication of the minutes of the meeting of the Board of Directors**

Minutes of the meetings of the Board of Directors that decided on the Issue, referred to in item 1.1 above, were filed with the Commercial Board of the State of Minas Gerais (JUCEMG) on November 19 and 20, 2007, under numbers 3809695 and 3810469, respectively, and their respective summaries were published in the newspapers *Minas Gerais, Gazeta Mercantil* – National Edition, and *O Tempo*, on November 22, 2007. The final rate of remuneration interest was approved by the meeting of the Board of Directors of the Issuer, held on December 13, 2007 the minutes of which will be filed with JUCEMG and published in the newspapers *Minas Gerais, Gazeta Mercantil – National Edition* and *O Tempo*, on [(], .

Clause 3 Clause 4.1.9.1 of the Deed is changed, to have the following drafting:

"4.1.9.1 Monetary Updating:
[...]
For the purposes of the definitions above, "the 15th (fifteenth) days of each month are considered to be "anniversary dates." If this date does not fall on a business day, the anniversary date will be considered to be the next subsequent business day."

Clause 4. Clause 4.1.9.2 of the Deed is altered to have the following drafting:

"The Debentures shall pay remuneratory interest calculated at a rate to be set by a bookbuilding process, limited to the rate of 7.96% (seven point nine six per cent) per year ("the Remuneration Interest", and, together with the Updating, "the Remuneration"), calculated exponentially and cumulatively pro rata temporis

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by business days expired, based on a year of 252 business days applicable to the Nominal Unit Value of the Debentures plus the Updating, from the Date of Issue, or on the balance of the Nominal Unit Value, from the date of completion of the last Capitalization Period, as the case may be, up to the date of actual payment. O the calculation of the Remuneration Interest shall obey the following formula:
[...]"

Clause 5. All the other terms and conditions of the Deed that are not expressly altered by this First Amendment are hereby ratified and remain in full force and effect.

Clause 6. The Parties hereby choose the Courts of the legal district of Belo Horizonte, Minas Gerais State, to the exclusion of any other, to settle any dispute or legal action related to this First Amendment.

E. Payments:

Events carried out.

PAYMENT OF INTEREST - 2007	
DATE OF EVENT	NONE
DEFAULT POSITION	-
PAYMENT FOR AMORTIZATION - 2007	
DATE OF EVENT	NONE
DEFAULT POSITION	-

Next events.

PAYMENT OF INTEREST – 2008	
DATE OF EVENT	December 15, 2008
DEFAULT POSITION	-
PAYMENT OF AMORTIZATION	
DATE OF EVENT	December 15, 2015
DEFAULT POSITION	-

F. Conditions for Early Maturity:

- declaration of bankruptcy, dissolution and/or liquidation of the Issuer or application for Judicial Recovery or out-of-Court reorganization of the Issuer of an application for bankruptcy made by the Issuer, or any analogous event that characterizes a state of insolvency of the Issuer, in accordance with the applicable legislation;

- early maturity of any debt of the Issue in an amount of R$ 50,000,000.00 (fifty million Reais) or more, or its equivalent in other currencies, due to any non-compliance, contractual or otherwise;

- termination, for any reason, of any of the concession contracts to which the Issuer is a party representing separately or jointly an amount equal to 30% (thirty per cent) or more of the net operational revenue of the Issuer as stated in its last prior financial statements;

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- legitimate protest of securities against the Issuer, in an amount exceeding R$ 50,000,000.00 (fifty million Reais) or its equivalent in other currencies, unless made in error or bad faith of a third party validly proven by the Issuer, as the case may be, or unless suspended or cancelled, or unless a guarantee for the security(ies) be given in Court, under any circumstances, within a maximum of 30 (thirty) calendar days from the date on which the written notice sent by the Fiduciary Agent is received;

- if the Issuer omits to pay by the maturity date, or does not take the legal or judicial measures required for non-payment in relation to, any debt or any other obligation payable by the Issuer under any agreement or contract to which it is a party as a lender, borrower, or guarantor, involving an amount of R$ 50,000,000.00 (fifty million Reais) or more or its equivalent in other currencies; and/or

- privatization, merger, liquidation, dissolution, extinction, split and/or any other form of stockholding restructuring which results in reduction of the registered capital of the Issuer. For the purposes of this sub-clause "privatization" shall mean an event in which: (i) the present direct controlling stockholder of the Issuer, Companhia Energética de Minas Gerais – Cemig ("Cemig"), directly or indirectly ceases to hold the equivalent of at least 50% (fifty per cent) plus one share of the total of the shares representing the voting stock of the Issuer; and/or (ii) the present controlling stockholder of Cemig, the government of the Brazilian State of Minas Gerais, directly or indirectly ceases to hold the equivalent of at least 50% (fifty per cent) plus one chare of the total of the shares representing the voting capital of Cemig.

G. Use of the proceeds of the issue

The funds obtained from the Offering will be used, in their entirety, to pay the remaining partial debtor balance of the promissory notes issued under the Third Public Issue of Promissory Notes of Cemig Distribuição S.A., the characteristics of which are described in this table.

Remuneration	Issue Date	Use of the proceeds of the promissory notes	Debtor balance on September 30, 2007 (R$)	Maturity date
101.6% x *Over extra-grupo* DI Rate	June 29, 2007	Replenishment of cash used in payments of principal of debt from January 2007 up to release of the funds, and payment of debt becoming due by the end of the year	411,319,250.40	December 26, 2007

H. Updating of the rating

Fitch Rating: A+(bra)

Denotes a low credit risk compared to other issuers or issuers of the same country. However, adverse changes in business, economic or financial conditions may possibly affect the payment capacity of these obligations within the expected period more than in the case of higher rating categories. The (+) is used to identify their better relative position within this rating category.

2- THE COMPANY

A. Operational context

Cemig Distribuição S,A. Cemig Distribuição S.A. ("Companhia" or "Cemig Distribuição") is a Brazilian corporation registered with the Brazilian Securities Commission (CVM) for listing, and a wholly-owned subsidiary of Companhia Energética de Minas Gerais – Cemig ("Cemig"). It was created on September 8, 2004 and started operating on January 1, 2005, pursuant to the segregation of Cemig's business activities.

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Cemig's electricity distribution contracts, signed in 1997, established the restructuring of its operations through the segregation of its generation, transmission and distribution operations into wholly-owned subsidiaries.

Provisional Measure nº 144, of December 11, 2003, later converted into Federal Law nº 10848, of March 15, 2004, for restructuring the model of the Brazilian electricity sector, also determined the separation of electricity generation, transmission and distribution into different companies.

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

Cemig Distribuição has a concession area of 567,478 km^2, approximately 97% of Minas Gerais state, serving 6,440,085 consumers as of December 31, 2007. (Information not reviewed by our external auditors).

The Company was registered for potential listing with the CVM (Securities Commission) on September 25, 2006, but its shares are not currently traded on any stock exchange.

B. Corporate events

Extraordinary General Meeting – Minutes – October 17, 2007
Changes in Bylaws

Extraordinary General Meeting – Minutes – June 22, 2007
Change in the composition of the Board of Directors due to resignations

Ordinary and Extraordinary General Meetings – Minutes – April 27, /2007
1 – Change in the members of the Audit Board.
2 – Allocation of results.
3 – Distribution of dividends / Interest on Equity.
4 – Change in the Bylaws.
5 – Receipt of accounts – vote on the Report of Management and the Financial Statements.

3 - FINANCIAL STATEMENTS

A. Management report

MESSAGE FROM MANAGEMENT

In its third year of operation, Cemig Distribuição again achieved excellent financial results. We posted net profit of R$ 771 million, and Ebitda (Earnings before interest, tax, depreciation and amortization) of R$ 1.867 billion, 31.2% more than in 2006.

These results show the success of the management actions, which improved the company's margins. Operational margin grew from 19.5% in 2006 to 24.3% in 2007; and Ebitda margin grew from 26.3% in 2006 to 31.2% in 2007. Net margin in 2007, at 12.9%, was lower than in 2006 (14.2%), reflecting the higher employee profit share included in the result for 2007.

The planning in place for 2008 aims to strengthen our quest for operational excellence in our assets – which will be submitted to a review of processes, aiming to make them more efficient and more economic. For this, we will contract an internationally-known consultancy company able to bring us new practices that will, jointly with our current practices, provide reduction of costs that will not only add great value for our stockholders, but also bring benefits for consumers served by the distribution concession holders.

We continue to implement our policy of human capital management, aiming definitively to put in place a better employee remuneration structure, linking remuneration to performance – and to materialize the efficiency gains obtained by the review of projects in the form of increases in productivity and profitability.

In the last three years we have invested more than R$ 2.5 billion in our electricity distribution activities. The *Light for Everyone* program alone – to bring access to electricity service to all –has consumed investment of R$ 1.6 billion over the last two years.

This investment takes the material form of connection of 200,000 new consumers in 2007, significantly reducing the number of people who live in the rural areas of the state of Minas Gerais without access to electricity.

We have restructured the process of strategic planning to enable changes caused by contextual factors to be incorporated as they are identified. This aspect will add a more dynamic quality to the assessment of impacts caused by changes, and commit a larger number of executives to redirecting strategic initiatives to achieve the targets established by the Strategic Plan.

We are confident that, through responsible and sustainable corporate practices, allied to our commitment to add value over the long term, our stockholders will continue to receive returns on their investments.

The electricity distribution activities continue to have strategies that are well positioned in terms of the sustainability aspects, and this was a major factor in our parent company once again being included among the world leaders of sustainability by the Dow Jones Sustainability World Index. Cemig was recognized as the best company, worldwide, in the "super sector" of public utilities, which includes companies providing public electricity, gas, water and other public services all over the world.

As well as the international recognition, which once again reaffirms Cemig's status as a world-class company, we were recognized by our clients as the best electricity concession holder in the category *Companies with more than 400,000 consumers* in Brazil's Southeastern Region – in the IASC Consumer Satisfaction Index survey for 2006, researched by the Brazilian electricity regulator, Aneel.

We are aware of the challenges of 2008, when we expect the economic environment will be one of great uncertainty and instability, with growing concern on Brazil's capacity to ensure adequate electricity supply in the coming years. In this context, Cemig presents itself as a leading company, with rigid financial discipline, which ensures creation of value, and solid fundamentals in its electricity distribution businesses, led by permanent updating in accordance with the demands of the electricity sector, and best corporate management practices.

We thank our stockholders for their confidence in our work, and, especially our employees for their commitment and dedication, our clients and suppliers, and all those who participate directly and indirectly in the company's activities.

THE ECONOMIC CONTEXT

2007 was a year of improvement in practically all the indicators of the Brazilian economy.

The economy grew significantly in the year, with GDP posting growth of 5%, according to financial market estimates, led by the strength of the domestic market.

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The gradual and continuous reduction in interest rate contributed to the growth of the Brazilian economy in the year – the Selic rate was reduced from 13.25% p.a. at the end of 2006 to 11.25% at the end of 2007.

Continuation of the process of reduction of interest rates in 2008 will mainly depend on the behavior of inflation, the increase of which has caused some concern over the last few months – though at the end of December 12-month IPCA inflation was 4.46%, within the target established by the country's monetary authorities.

Brazil continues to achieve a significant trade surplus – among the largest in the world: R$ 40 billion in 2007, although this was 14.1% less than in 2006. Exports grew 17% in the year, boosted by the increase in prices of exported basic products, while imports increased faster, by 32%, from 2006.

This reduction in the trade balance partly reflects the strengthening of the Brazilian Real against the US dollar. The dollar depreciated against the Real by more than 20% in the year – from R$ 2.1380 / US$ at the end of December 2006 to R$ 1.7713 / US$ at the end of December 2007.

Further significant growth in the Brazilian economy is expected in 2008 and, as a counterpart, greater concern on the part of the monetary authorities to maintain inflation within targets – a factor which could mean a slowing of the fall in interest rates.

The growth that is expected in the Brazilian economy in 2008 will have a direct impact on consumption of electricity, and this makes it even more necessary to increase investments in expansion of electricity supply significantly, and also to maintain a regulatory environment that stimulates the entry of new investors into the sector.

CAPITAL EXPENDITURE

In 2007 Cemig Distribuição invested the significant amount of R$ 734 million in capital expenditure, primarily on the *Light for Everyone* program and also new distribution networks and lines under its *Clarear* and *Campos de Luz* programs.

The "Light for Everyone" (*Luz para Todos*) program to achieve universal access to electricity

Universal access to electricity became obligatory under Law 10438 of April 26, 2002, as amended by Law 10762 of November 11, 2003. Aneel has the task of establishing targets for this process of "universalization" of access to public electricity service, for consuming units with installed load of up to 50 KW served at low voltage, and this must be provided without any charge of any type for the party requesting it.

The program instituted by the federal government in 2003 and called "Luz para Todos" decided to bring forward the target for universalization, from 2015 to 2008.

In the concession area of Cemig Distribuição approximately 190,000 consumers were connected, primarily in rural areas – a population of approximately 840,000 people, for a total cost, up to December 31, 2007, of R$ 1.599 billion. There is at least one consumer benefiting from the program in all the 774 municipalities in Cemig's concession area, and in 475 of these the original potential market has already been more than served. This performance makes Cemig a "champion" of the "Light for Everyone" program, among Brazilian concession holders.

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The program was financed with funds from the federal government and the government of Minas Gerais state, in the amounts of R$ 593 million and R$ 79 million, respectively, the remaining amount of R$ 927 million being financed with funds from Cemig itself.

Over the period from 2004 to December 2007, approximately 56,000 km of electricity transmission network was built, which is more than the circumference of the earth (40,075 km), and also equal to 22% of the entire rural network built by Cemig Distribuição in Minas Gerais state in its 55 years of existence. In this same period, 106,000 transformers and 476,000 transmission posts were also installed, and 1,700 photovoltaic panels were installed in places where it was not possible to establish conventional distribution networks for reasons of environment, distance or physical barriers.

The market served by the program, as well as including farmers, serves populations affected by dams, municipal and state schools, community water supply wells, rural settlements, communities remaining from "quilombos" (ancient minority settlements) and racial minorities.

With the continuous increase in the potential market created by properties being separated into parts, construction of new homes and normal vegetative growth itself, it is estimated that there are still another 92,000 new consumers to benefit from the program throughout the whole of Minas Gerais state. Thus the program will continue in 2008, on the same conditions, that is to say, without any charge to the consumer.

<u>The "Fields of Light" ("Campos de Luz") program</u>

With an estimated cost of R$ 18 million, this program will provide nocturnal illumination for football fields, under a working agreement with the state government. This not only makes it possible for local communities to play football at night, but has substantially reduced crime in the surrounding regions. The opinion survey company *Olhar*, 92% of residents interviewed approved illumination of football fields in their communities.

The first stage of the program, in 2004 and 2005, illuminated 156 football fields, through a working agreement between Cemig Distribuição and Codemig.

In the second stage, begun in 2006, so far 332 fields – of a target of 410 by the end of 2008 – have been illuminated.

<u>The Reluz National Program for Efficient Public Illumination</u>

This program aims primarily to modernize public illumination systems by introducing more efficient technology, to reduce electricity consumption at peak times, reduce operational costs, and increase security in public roads and highways.

Projects to improve and expand public illumination involving around 52,000 positions, with investment of R$ 14 million, mainly in the metropolitan region of Belo Horizonte, were carried out in 2007.

<u>The *Cresce Minas* program</u>

This program, for investment of R$ 759 million, is to be put in place in four years, starting 2006 – when it was approved by the Executive Officers and Board of Directors of Cemig Distribuição. It aims to boost quality in the electricity system to meet the needs of presumed growth, the expansion of markets associated with irrigation and agribusiness, and to maintain compliance with regulatory quality standards.

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The program involves works and refurbishment in substations, lines and distribution networks throughout the state, involving 687 km of distribution lines, 11 new substations, and 101 works of expansion in existing substations.

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

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ELECTRICITY SALES

Electricity auctions

In 2007 Cemig Distribução took part in several auctions in the Regulated Market:

DATE	Auction	Power bought by Cemig Distribution	Average Price (MWh)
18/6/2007	Alternative sources	61MW average (15 years)	R$ 138.85
18/6/2007	Alternative sources	20MW average (30 years)	R$ 134.99
26/7/2007	A-3	431.173 MW average (15 years)	R$ 134.67
27/9/2007	6th Adjustment Auction	3.5MW average (1 year)	R$ 138,74
16/10/2007	A-5	56MW average (30 years)	R$ 128.73
16/10/2007	A-5	126MW average (15 years)	R$ 128.73
10/12/2007	Santo Antonio	30,002,603.786MWh (30 years)	R$ 78.87

Sales of electricity to final consumers

This table shows the changes in quantities of electricity sold to final consumers, with revenues and average tariffs:

	GWh			R$ (million)			Average tariff (R$)		
	2007	2006	Change %	2007	2006	Change %	2007	2007	Change %
Residential	6.813	6.647	2,50	3.553	3.301	7,63	521,50	496,62	5,01
Industrial	4.831	4.839	(0,17)	1.489	1.422	4,71	308,22	293,86	4,89
Commercial	4.078	3.851	5,89	1.871	1.680	11,37	458,80	436,25	5,17
Rural	2.200	1.937	13,58	595	514	15,76	270,45	265,36	1,92
Public authorities	640	599	6,84	286	252	13,49	446,88	420,70	6,22
Public illumination	1.038	1.051	(1,24)	280	269	4,09	269,75	255,95	5,39
Public service	1.060	1.016	4,33	299	263	13,69	282,08	258,86	8,97
Total	**20.660**	**19.940**	**3,61**	**8.373**	**7.701**	**8,73**	**405,28**	**386,21**	**4,94**

As can be seen there were increases in consumption in the main consumer classes of Cemig Distribuição, with a slight fall of 0.17% in the industrial category, from 2006.

Sales to **final consumers** totaled 20,660 GWh, an increase of 3.61%, mainly representing growth in the

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residential, commercial and rural categories, as follows:

- Consumption grew by 2.50% in the residential user class due to the increase in the number of consumers billed, and the good performance of conditioning factors such as increasing employment and real income, abundant supply of credit and growth in the volume of sales of household appliances.

- Sales in the industrial category were very slightly lower – 0.17% lower – reflecting reduced supply of "special" electricity in 2007, and migration of clients to the free market. Due to these factors, there was a significant reduction in consumption by some sectors: 25.0% in chemicals, 50.4% in paper and pulp/cardboard, 11.9% in metals, and 10.3% in beverages. As the same time, there were increases of 27.4% in mining, 14.5% in transport materials and 10.6% in electrical and communication materials.

- Consumption in the Commercial category was 5.89% higher than in 2006, reflecting increased consumption in the main lines of activity: 5.2% in retailing, 4.5% in hotels and food, and 8.7% in communication services – in aggregate these sub-sectors are 51.7% of the total of sales to the local captive market.

- In the Rural consumer category the increase of new conventional consumer units connected by the *Light for Everyone* program, and the growth in consumption for irrigation, especially reflecting the lower rainfall and higher temperatures, led to an increase of 13.58% in consumption compared to 2006

As these charts show, the biggest consumer categories by volume billed and generation of revenue are residential, commercial and industrial:

SALES BY CATEGORY – PERCENT OF TOTAL GWh
Industrial Residential Commercial Rural Other

SALES BY CATEGORY – PERCENT OF TOTAL GWh
Industrial Residential Commercial Rural Other

++ INSERIR GRÁFICOS ACIMA++

Tariff adjustments and reviews

The Tariff Adjustment

The adjustment of the tariffs of Cemig Distribuição was promulgated by Aneel Resolution 446 of April 3, 2007, and confirmed in detail by Technical Notes 072 and 077/2007 and the judgment vote by the reporting Aneel Council member.

The tariff adjustment applied different rates of increase by category of consumption, aiming to gradually eliminate the cross-subsidies existing between the consumer groups. The average increase in electricity bills was 5.16%; low-voltage users paid an increase of 6.50%, while high-voltage users had an increase of 2.89%.

The Tariff Review

Aneel, the Brazilian electricity regulator, is in the process of review of retail supply tariffs and the Charge for Use of the Distribution System (TUSD) of Cemig Distribution, this being the second cycle of review corresponding to the period 2008–13. The public hearing was set for February 28, 2008, and the new tariffs will come into effect on April 8, 2008. The average adjustment percentage, disclosed on a provisional basis by Aneel, is a reduction of 9.72%. To arrive at this value, parameters were taken into account for the first cycle, which are also being adjusted, such as indicators of productivity, the value of the asset base to be remunerated, and the Company's average cost of capital. This provisional percentage may yet be altered as a result of contributions received at the public hearing, and decision by Aneel on the actual value of the asset base to be remunerated in the second tariff review cycle.

Protection of revenue – management of losses

Commercial losses have increased in recent years, mainly due to the rules imposed by electricity rationing in 2001, the economic situation of clients and the increasing practice of crime.

Cemig Distribution is among the distributors with the lowest indices of commercial losses in Brazil – comparable to those of the best electricity companies worldwide.

At present, the company's level of commercial losses is around 2.78% of the total amount of energy that enters the distribution system. The Brazilian average is around 6%.

The results of identification and recovery of commercial losses total 147.8 GWh in 2007, an increase of 11.5% in relation to 2006. This corresponds to approximately R$ 108.7 million (increase of 20.8% from 2006), and also, approximately, R$ 91.4 million in losses avoided or increases of consumption by consumer units that were regularized.

In 2007, aiming further to increase the company's capacity for reaction to the increase in the practice of irregularities, several actions were taken, including:

- Implementation of analysis of probability and risk of loss for each consumer unit where there is suspicion of irregularity, associated with the Web Inspection Orders Management system (WGOI), seeking greater efficiency in identification of units with irregularities, and strengthening the potential for results from the process.

- Improvement in the corporate system for control of seals and meters made available, and also general rules for control of seals, seeking to ensure traceability of these devices and equipment.

- Implementation and execution of the Value Addition Project (PAV) for protection of revenue, which showed the economic viability of actions to combat losses and default, providing a greater input of funds into these activities, with consequent addition of revenue.

- Approval of the Revenue Protection Plan, focused on metering, to be put in place starting in 2008, aiming to focus on the question and treatment of commercial losses of Cemig Distribution, adding, to form a major project, technologies and actions to "bulletproof" the revenue from medium-sized and large consumers, and application of complementary technologies to the other consumers.

- Development and incorporation of the system for management of losses in the new Clients Management System (SGC/SAP) acquired by Cemig which is in the process of being put in place, making the

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information fully traceable and available to all the those involved.

Service policy

Cemig Distribuição has consolidated a group of Commercial Relationship Practices with its clients based principally on quality of its products and services, preservation of credibility with clients, stockholders and the public, and in the strength of its brand and its effective participation in social and economic development over the whole of its area of operation.

The company offers channels of relationship that enable clients to carry out transactions, complain, suggest and request services, efficiently and fast. The main channels available are: *"Speak to Cemig"* ("*Fale com a Cemig*"); Service Branches ("*Agências de Atendimento*"); Relationship Agents ("*Agentes de Relacionamento*"); Simplified Service Posts ("*Postos de Atendimento Simplificado (PASs)*"); *Cemig Fácil* ("Cemig Easy"); and the "Virtual Branch" (*Agência Virtual)* which is available on Cemig's web portal: www.cemig.com.br.

As well as continuous investment in improvement of the existing channels Cemig seeks new forms of relationship to offer more convenient and fast options for contact with the company.

The client also has available, periodically, other relationship options through the Mobile Branch trailer and the *Cemig na Praça* ("Cemig in the Main Square") program. Both aim to take Cemig to the client. The Mobile Branch trailer visits municipalities of some regions of the state providing services and orientation to the public. The *Cemig na Praça* program covers municipalities of all the regions, taking services, information and orientation to clients in a personalized marquee-tent.

Electricity efficiency

In 2007, R$ 43 million was allocated to the Electricity Efficiency program, a joint program with the electricity regulator, Aneel.

In the Cemig/Aneel Electricity Efficiency program, 43,000 public illumination points in 140 municipalities of the state of Minas Gerais were upgraded in efficiency, for investment of R$ 15 million, resulting in an annual reduction of 2,500 kW of demand and 10,700 MWh of electricity consumption.

In the *Reluz* Public Illumination Improvement Project, financed by Eletrobrás, 15,000 public illumination points were modernized in the municipality of Betim, for investment of R$ 5 million, in 2007, resulting in an annual reduction of 270 kW of demand and 1,150 MWh of electricity consumption.

The *Conviver* project aimed to orient low-income clients, through the Community Relationship Agent, on measures that can be taken to achieve better electricity efficiency. This is part of an effort to promote increased access to, and more efficient use of, the services provided by Cemig Distribuição in the low-income communities of greater Belo Horizonte, and in the state's interior, increasing the number of families that use the benefits provided by electricity in a regular, efficient, and safe way that is compatible to their economic capacity.

We expect these actions also to increase the integration of Cemig with these communities, promoting sustainable development of these locations.

The locations with the highest proportion of low-income communities, and those where Cemig Distribuição faces difficulties of access to provide services, will be selected. We will be serving an approximate total of 300,000 homes, over five years, throughout the state of Minas Gerais.

ECONOMIC – FINANCIAL PERFORMANCE

In thousands of Reais, except where otherwise stated.

(Operational data have not been examined by our external auditors).

Net profit

Cemig Distribuição's net profit in 2007 was R$ 771 million, which compares with net profit of R$ 770 million in 2006, an increase of 0.13%.

	2007	2006	Change %
Gross supply of electricity	3,308	3,088	7.12
Revenue from use of the grid – captive consumers	5,203	4,878	6.66
	8,511	**7,966**	**6.84**
Revenue from use of the grid – Free Consumers	1,321	1,261	4.76
Other	68	56	21.43
Total	**9,900**	**9,283**	**6.65**

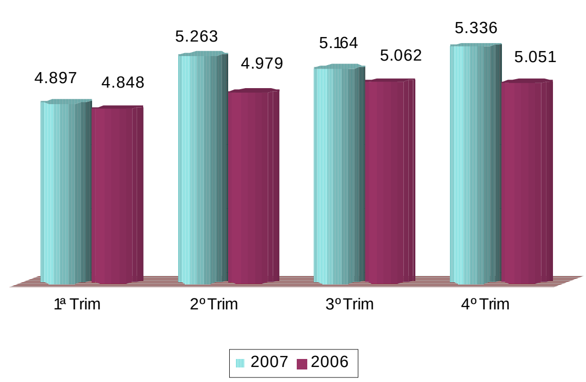
Gross revenue from retail supply of electricity and use of the grid – captive consumers

The main impacts on 2007 revenues arose from the following factors:

- the tariff adjustment, averaging 7.05% across consumers, from April 8, 2006 (full effect in 2007);
- the tariff adjustment with average impact for consumers of 5.16%, from April 8, 2007;
- the 3.61% increase in the volume of energy billed to final consumers, excluding Cemig's own consumption (20,660 GWh in 2007, vs. 19,940 GWh in 2006); and
- reduction in the revenue from the subsidy for low-income consumers, due to the review of the criteria adopted by the company in calculating this revenue.

This chart shows the quarterly changes in retail supply:

<u>GWh billed to final consumers</u>



For more information on the behavior of the electricity market in 2007, please see the item on *Sales of electricity.*

Revenue from use of the grid

This revenue refers to the Tariff for Use of Distribution System – TUSD, which comes from the charge to free consumers for transport of energy sold by other agents in the company's concession area, received principally by Cemig Geração e Transmissão. It was 4.76% higher in 2007, at R$ 1.321 billion in 2007 vs. R$ 1.261 billion in 2006).

The increase primarily represents the higher volume of electricity transported in 2007 (17,539 GWh in 2007 vs. 16,738 GWh in 2006), reflecting the increase in industrial production and the migration of clients from the captive market to the free market, in 2007.

Non-controllable costs

The differences between the sums of non-controllable costs (also referred to as "CVA"), used as a reference in the calculation of the tariff adjustment, and the disbursements actually made are offset in subsequent tariff adjustments, and are registered in Current assets and Non-current assets. As a function of the change in Aneel's accounting plan, some items were transferred to the item "Deductions from operational revenues". There are more explanations in Explanatory Notes 2 and 7 to the Financial Statements.

Deductions from operational revenues

Deductions from operational revenues amounted to R$ 3.924 billion in 2007, compared to R$ 3.864 billion in 2006, an increase of 1.55%. The principal changes in these expenses are as follows:

Fuel Consumption Account – CCC

The total deduction from revenue for the CCC in 2007 was R$ 287mn, vs. R$ 443mn in 2006, 35.21% lower
This charge is in reference to the operational costs of thermal plants in the Brazilian grid and isolated systems, and is split among electricity concession holders as specified by an Aneel Resolution. This is a non-controllable cost, and the reported deduction from revenue corresponds to the amount actually passed through to the tariff.

Energy Development Account – CDE

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The deduction from revenue for the CDE in 2007 was R$ 304 million, vs. R$ 294 in 2006, an increase of 3.40%. The payments are specified by an Aneel Resolution. This is a non-controllable cost, and the expense recognized in the income statement corresponds to the amount actually passed through to the tariff.

RGR – Global Reversion Reserve

The provision for RGR in 2007 was R$ 52 million, vs. R$ 9 million in 2006. The difference between the two periods reflects the following:

- Higher expense than in 2007 arising from the increase in the book value of fixed assets in service, the basis for calculation of this expense for Cemig Distribuição, and also the accounting in March 2007, in obedience to orientations by Aneel, of a complementary amount to this expense, of R$ 15 million, for the first quarter of 2005.

- A reversal of the provision of 2006, referring to the year 2004 in the amount of R$ 28 million, due to Aneel homologating that expense at an amount lower than estimated by the company.

The other deductions from revenue are for taxes calculated as a percentage of billing, and their variations thus substantially arise from the changes in revenue.

Operational costs and expenses (excluding Financial revenue (expenses))

	2007	2006	Var. %
Non-controllable costs			
Electricity purchased for resale	2.164	1.981	9,24
Financial compensation for use of water resources	3	12	(75,00)
Charges for use of the national transmission grid	447	515	(13,20)
	2.614	**2.508**	**4,23**
Controllable costs			
Personnel expenses	619	734	(15,67)
Post-employment obligations	73	116	(37,07)
Materials	69	59	16,95
Outsourced services	396	329	20,36
Operational provisions	176	109	61,47
Depreciation and amortization	417	367	13,62
Other expenses, net	162	141	14,89
	1.912	**1.855**	**3,07**
	4.526	**4.363**	**3,74**

The increase of 3.74% in operational costs and expenses primarily reflects the change in cost of electricity bought for resale, operational provisions and outsourced services, partly offset by a reduction in payroll expense. For more information on the breakdown of operational costs and expenses please see Explanatory Note 25 to the Financial Statements.

The principal changes in expenses are:

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Electricity purchased for resale

The expense on this account in 2007 was R$ 2.164 billion, 9.24% higher than the figure of R$ 1.981 million for this account in 2006. This is a non-controllable cost, with the expense recognized in the income statement corresponding to the value effectively passed through to the tariff. For more information please see Explanatory Note 25 to the financial statements.

Charges for Use of the Basic Transmission Grid

The expense on charges for use of the transmission network in 2007 was R$ 447 million, vs. R$ 515 million in 2006, a reduction of 13.20%. These charges are payable by distribution and generation agents for use of the facilities and components of the basic grid, and are set by Aneel resolution. This is a non-controllable cost, with the deduction from revenue recorded corresponding to the value effectively passed through to the tariff.

Personnel expenses

Personnel expenses in 2007 totaled R$ 619 million, vs. R$ 734 million in 2006, a reduction of 15.67%. This lower figure is primarily because of the provision made in June 2006 for indemnity to employees for their future "anuênio" rights, in the amount of R$ 127 million, partially offset by the 4% and 5% wage adjustment given to employees in November of 2006 and 2007, respectively, and the 3.14% increase in the number of employees, which totaled 8,064 in December 2006, and 8,317 in December 2007. There is a breakdown of personnel expenses in Explanatory Note 25 to the Financial Statements.

Depreciation and amortization

Deductions from operational revenues totaled R$ 417 million in 2007, compared to R$ 367 million in 2006, an increase of 13.62%. This substantially reflects the operational startup of new transmission networks and lines, as a result of the investments in the Light for Everyone program.

Post-employment obligations

Expenses on post-employment obligations in 2007 were R$ 73, compared to R$ 116 in 2006, a reduction of 37.07%. These expenses basically represent interest on the actuarial liabilities of Cemig Distribution, net of the expected return on plan assets, as estimated by an external actuary. The reduction reflects higher growth of the assets of the pension plan than the growth in obligations to the participants.

Operational provisions

Operational provisions in 2007 totaled R$ 176 million, compared to R$ 109 million in 2006, a 61.47% increase. The change is primarily due to provisions for Aneel administrative proceedings, and for litigation related to tax increases, both in the amount of R$ 36 million. This increase is partially offset by a reduction of R$ 7 million in the provision for doubtful receivables (R$ 98 million in 2007 vs. R$ 105 million in 2006). For further information please see Explanatory Notes 19 and 25 to the Financial Statements.

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Ebitda (Earnings before interest, tax, depreciation and amortization)

As this table shows, our Ebitda was 31.2% higher in 2007. Adjusted for non-reoccurring items, the increase was 8.37%:

	2007	2006	Var %
+ Provision for current and deferred income tax and Social Contribution	771	770	0,13
+ Non-operational revenue (expenses)	312	300	4,00
+ Financial revenues (expenses)	43	25	72,00
+ Amortization and depreciation	(8)	(189)	(95,77)
+ Employees' profit shares	417	367	13,62
+ Minority interest	332	150	121,33
EBITDA	**1.867**	**1.423**	**31,20**
Non-recurring items (*)			
Cost of Energy Efficiency programs from previous years	-	81	-
+ CVA re-composition - TUSD	**-**	93	-
+ "Anuênio"	-	127	-
- Reversal of provision for RGR	-	(28)	-
- CVA energy – adjustments set by ANEEL	(29)	-	-
= ADJUSTED EBITDA (non-audited)	**1.838**	**1.696**	**8,37**

The non-recurring adjustments correspond to the company's interpretation on events which it deems to be extraordinary, not related to current operations.

Financial revenues (expenses)

The company posted net financial expenses of R$ 8 million in 2007, which compares with net financial expenses of R$ 189 million in 2006. The main factors in this financial result are:

- Reversal of the provision for losses on accounts receivable from the state of Minas Gerais, of R$ 99 million in 2006, due to the creation of a Credit Receivables Fund (FIDC) and signature of the 4th contractual amendment for renegotiation of the debt. For more information please see Explanatory Note 14 to the financial statements.

- Reduction of R$ 17 million in the revenue from arrears penalty payments on client electricity bills, to R$ 107 million in 2007, from R$ 124 million in 2006. This primarily reflects revenue of R$ 48 million in the second half of 2006, relating to the write-off of accounts received from major industrial consumers related to previous years, when the principal was considerably less than the amount for arrears penalty payments and interest.

- Revenue from monetary variation and interest on the deferred tariff adjustment in 2007 was R$ 130

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million, 33.33% less than its total of R$ 195 million in 2006. This mainly reflects the reduction of the size of the asset due to receipt of some of the values receivable into electricity accounts paid by clients. For more information please see Explanatory Note 11 to the financial statements.

- Net gain of R$ 78 million on currency variations in 2007, compared to a net gain of R$ 65 million in 2006, reflecting effects on foreign currency loans and financings. The appreciation of the Real against the dollar in 2007 was 17.15%, versus appreciation of 8.66% in 2006.
- Net loss on financial instruments in 2007, in the amount of R$ 85 million, which compares with a net loss of R$ 76 million in 2006. This arises from a higher depreciation of the US$ in 2007 than in 2006.

For a breakdown of financial revenues and expenses, see Explanatory Note 26 to the financial statements.

Income tax and Social Contribution

Cemig Distribuição's expenses on income tax and the Social Contribution in 2007 totaled R$ 312 million, on profit of R$ 1.415 billion before tax effects, a percentage of 22.05%. In 2006, Cemig's expenses on income tax and the Social Contribution were R$ 300 million, on profit of R$ 1.220 billion before tax effects, a percentage of 24.59%. These effective rates are reconciled with the nominal rates in Explanatory Note 10 to the Financial Statements.

Employees' profit shares

In accordance with the 2007 Collective Labor Agreement Cemig Distribuição allocated profit shares to its employees totaling R$ 332 million (R$ 150 million in 2006). For further information see Explanatory Notes 2 and 28 to the Consolidated Financial Statements.

LIQUIDITY AND CASH FLOW

At the end of 2007 Cemig Distribuição's cash position was R$ 636 billion (vs. R$ 219 million at the end of 2006).

Cash generated by operations in 2007 was R$ 1,442 billion, compared to R$ 1.273 billion in 2006.

This increase in cash generated by operations mainly reflects the higher amount received in relation to regulatory assets in 2007.

Financing activities resulted in a net cash outflow of R$ 291 million, arising from loans and financings obtained totaling R$ 1.159 billion, which compare with amortizations of a total of R$ 773 million, and payment of Interest on Equity and dividends, in the amount R$ 677 million.

Capital expenditure in 2007 was R$ 734 million, compared to R$ 919 million in 2006, the main factor in these amounts being the Light for Everyone (Luz Para Todos) program.

FUNDING AND DEBT MANAGEMENT

Raising of funds from third parties in 2007 consisted mainly of transactions in the capital markets in the form of issues of promissory notes and debentures, supported by firm guarantees of placement of the securities from financial institutions. These transactions were to pay debt becoming due and to rebuild cash for the debts paid over the year. The high liquidity favored contracting of transactions on very favorable conditions.

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On January 2, 2007 Cemig Distribuição made its Second Public Issue of Promissory Notes (referred to locally as "*Commercial Paper*"), in the total amount of R$ 200 million, with tenor of 180 days, returning interest of 102% of the CDI rate. These securities were backed by a guarantee from the Cemig holding company (Companhia Energética de Minas Gerais).

These Promissory Notes were settled with the proceeds of the Third Issue of Promissory Notes, by Cemig Distribuição S.A., on June 29, 2007, in the amount R$ 400 million, also with tenor of 180 days, for a return of interest equal to 101.60% of the CDI rate. These were also guaranteed by the Cemig holding company.

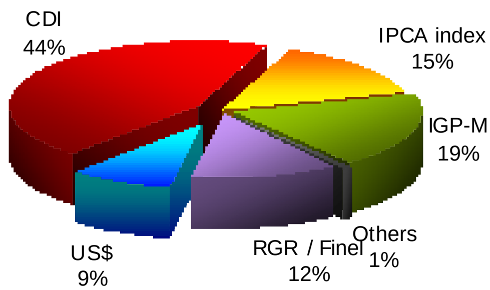
This short-term issue was refinanced by the 2nd Public Issue of Non-convertible, unsecured Debentures in a single series, resulting in a long-term transaction. On December 21, 2007, 40,000 debentures of nominal unit value R$ 10,000 were subscribed and paid up in full. These were issued on December 15, 2007, totaling R$ 400 million. They are indexed to the IPCA inflation index, plus annual interest of 7.96% p.a. paid annually, the principle to be repaid in three equal installments in December 2015, 2016 and 2017.

Banco do Brasil Investimentos S.A. gave a firm guarantee of placement and subscribed 46% of the issue. We highlight the total tenor of ten years, which was considered notable in the current situation: comparison with the remuneration on public securities of similar tenor and index (NTN-Bs) indicates that Cemig Distribuição S.A. raised funds at a cost very close to that of a risk-free asset. The combination of tenor and cost of this issue reflects investors' confidence in the company's credit capacity and its potential for growth.

Added to this funding was R$ 159 million (total excluding the CDE charge) supplied by Eletrobrás for financing of the *Light for Everyone* program and the *Reluz* project.

The overall result: inflow of R$ 1.159 billion in third party funds to Cemig Distribuição S.A. in 2007.

The use of the banking market to meet our financing needs has helped increase the percentage of transactions linked to the CDI rate in the debt profile in recent years. However the issue by Cemig Distribuição of debentures indexed to the IPCA inflation index at the end of 2007 has resulted in the following debt profile:



Breakdown of debt by indexor – December 2007

As shown in the next chart, the debt amortization timetable now has a satisfactory profile, with average tenor of 5.3 years, as shown in the chart below – meeting the company's policy directive of avoiding concentration of debt coming due in the short term, mitigating the risk of refinancing and eliminating any pressure on cash flow that

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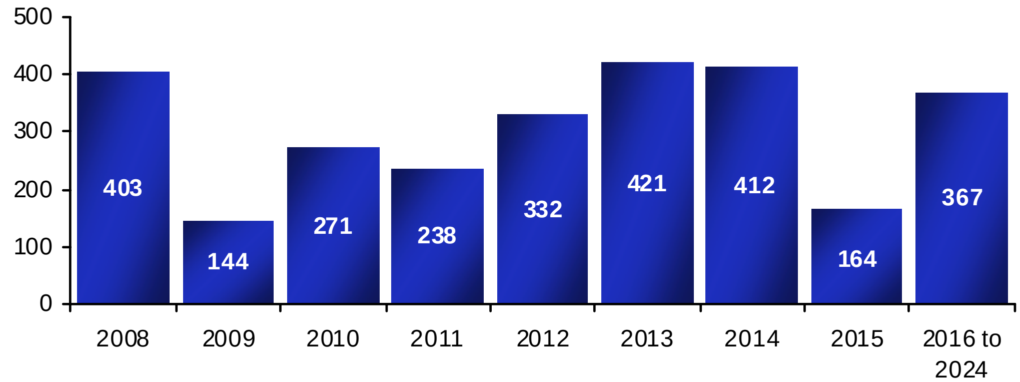
could reduce availability of funds for investment.

Debt amortization timetable – Consolidated

December 2007, R$ million



Another of the company's directive guidelines, reduction of the average cost of debt, has been complied with: at the end of the year the average cost of debt was 7.82% p.a., at constant prices, also reflecting the federal government's policy of reduction of interest rates.

Our position of 9% of debt in foreign currency does not represent a material financial risk for the company, since a good part of it is contractually protected by indexor swap transactions

PROFIT ALLOCATION PROPOSAL

At the Annual General Meeting to be held in April 2008 the Board of Directors will propose the following allocation of the net profit for 2007 of R$ 771 million:

- R$ 681 million (88.33% of net profit) for payment of dividends, of which R$ 150 million in the form of Interest on Equity, and R$ 531 million in complementary dividends.
- R$ 38 million (5% of net profit) to the Legal Reserve.
- R$ 52 million held in Stockholder's equity in the Retained Earnings Reserve, for financing of investments approved by the Board of Directors and/or payment of extraordinary dividends in the future.

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B. Our analysis:

FINANCIAL SITUATION

General liquidity declined from 0.80 in 2006 to 0.79 in 2007. Current liquidity increased from 1.08 in 2006 to 1.23 in 2007. “Quick ratio” (“acid test ratio”) increased from 1.08 in 2006 to 1.22 in 2007. Asset turnover increased from 0.57 in 2006 to 0.60 in 2007.

CAPITAL STRUCTURE

The ratio (Loans / Stockholders’ equity) changed from 1.03 in 2006 to 1.13 in 2007. The ratio (Third party funds / Stockholder’s equity) changed from 3.02 in 2006 to 3.10 in 2007. (Fixed assets / Stockholders' equity) changed from 1.59 in 2006 to 1.65 in 2007. Non-current liabilities increased by 8.56% from 2006 to 2007, and Current liabilities increased by 4.61% from 2006 to 2007.

RESULTS

Net sales revenue in 2007 was 10.29% higher than in 2006. Gross margin was 28.89% in 2007 vs. 23.17% in 2006, and Net margin was 14.20%, vs. 12.90% in 2006. Operational expenses increased by 1.02% from 2006 to 2007. Net profit was 0.21% higher than in 2006. Net profit as a percentage of Stockholders’ equity was 31.60% in 2007 vs. 32.75% in 2006.

We recommend a complete reading of the Financial Statements, the Report of Management and the Opinion of the external auditors for the best analysis of the company’s economic and financial situation.

Opinion of external auditors

To
The Board of Directors and Stockholders of
Cemig Distribuição S.A.
Belo Horizonte, Minas Gerais, Brazil

1. We have examined the balance sheet of Cemig Distribuição S.A. prepared at 31 December 2007, and the related statements of income, changes in stockholders’ equity, and sources and uses of funds for the year ended on that date. These were prepared under the responsibility of the Company’s Management. Our responsibility is to express an opinion on those financial statements.
2. Our examination was conducted in accordance with auditing standards applicable in Brazil and comprised: (a) planning of the work, taking into account the significance of the balances, the volume of transactions, and the Company’s accounting and internal control systems; (b) checking, on a test basis, of the evidence and records that support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting practices and estimates adopted by the Company’s Management, and the presentation of the financial statements taken as a whole.
3. In our opinion, the above-mentioned financial statements adequately represent, in all material aspects, the equity and financial position of Cemig Distribuição S.A. at December 31, 2007, the results of its operations,

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the changes in its stockholders' equity, and the sources and uses of its funds, for the year ended on that date, in accordance with accounting practices adopted in Brazil.

4. Our examination was carried out with the objective of our forming an opinion on the financial statements, taken as a whole. The statements of cash flow and added value, presented in Appendices I and II, constitute information complementary to those financial statements. They are not required by accounting practices adopted in Brazil, and are presented to enable additional analysis. This complementary information has been submitted to the same auditing procedures applied to the financial statements and, in our opinion, is properly presented, in all material respects, in relation to the financial statements taken as a whole.

5. The financial statements of Cemig Distribuição S.A. and the complementary statements of cash flow and added value for the year ended December 31, 2006, presented here for comparison, were examined by other auditors, who issued a report without qualification dated February 28, 2007, containing a paragraph of emphasis in relation to the change in the percentage of tariff repositioning as a result of the final tariff adjustment.

March 6, 2008

KPMG Auditores Independentes
CRC SP014428/O-6-F-MG

Marco Túlio Fernandes Ferreira
Accountant – CRCMG058176/O-0

Rosane Palharim
Accountant – CRC 1SP220280/O-9-S-MG

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4 – Declaration by the Fiduciary Agent

The Company maintained its information to the CVM and the Fiduciary Agent updated, and placed at the disposal of the interested Debenture Holders people with the skill to provide additional information on all the events taking place in the life of the Debenture.

We declare fitness to continue to exercise the function of Fiduciary Agent of the Issue, and we remain at the entire disposal of the Debenture Holders in our offices at Rua Dr. Renato Paes de Barros 717, 6th Floor, Itaim, São Paulo, São Paulo State, Brazil.

São Paulo, 19 de June de 2008

SLW - Corretora de Valores e Câmbio Ltda.
Fiduciary Agent

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ANNUAL REPORT OF THE FIDUCIARY AGENT TO THE HOLDERS OF DEBENTURES OF THE 2nd ISSUE OF NON-CONVERTIBLE DEBENTURES BY CEMIG DISTRIBUICAO S.A. – LISTED COMPANY – CNPJ: 06.981.180/0001-16

BALANCE SHEET (R$ '000)			
ASSETS			
Account code:	Account line	31/12/2007	31/12/2006
1	Total assets	10.005.365,00	9.447.368,00
1.01	Current assets	4.546.342,00	3.835.826,00
1.01.01	Cash & cash equivalents	636.286,00	219.115,00
1.01.02	Credits	3.698.715,00	3.482.656,00
1.01.02.01	Clients	1.792.043,00	1.714.534,00
1.01.02.01.01	Consumers and traders	1.361.636,00	1.408.499,00
1.01.02.01.02	Concession holders - power transportation	430.407,00	306.035,00
1.01.02.02	Sundry credits	1.906.672,00	1.768.122,00
1.01.02.02.01	Extraordinary Tariff Recomposition (RTE) and Portion "A"	389.259,00	300.555,00
1.01.02.02.02	Taxes subject to offsetting	356.982,00	65.786,00
1.01.02.02.03	Anticipated expenses – CVA	508.222,00	433.642,00
1.01.02.02.04	Tax credits	126.570,00	59.145,00
1.01.02.02.05	PIS, Pasep and Cofins taxes: Regulatory asset	55.247,00	107.959,00
1.01.02.02.06	Deferred tariff adjustment	463.491,00	791.231,00
1.01.02.02.07	Linked funds	6.901,00	9.804,00
1.01.03	Inventories	21.968,00	15.786,00
1.01.04	Others	189.373,00	118.269,00
1.02	Non-current assets	5.459.023,00	5.611.542,00
1.02.01	Long term assets	1.427.912,00	1.872.705,00
1.02.01.01	Sundry credits	1.401.126,00	1.855.936,00
1.02.01.01.01	Extraordinary Tariff Recomposition (RTE) and Portion "A"	687.506,00	878.228,00
1.02.01.01.02	Anticipated expenses – CVA	177.211,00	157.612,00
1.02.01.01.03	Tax credits	186.713,00	136.883,00
1.02.01.01.04	Taxes subject to offsetting	43.526,00	202.886,00

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1.02.01.01.05	Deposits linked to legal actions	119.079,00	111.931,00
1.02.01.01.06	Consumers and traders	44.469,00	50.357,00
1.02.01.01.07	PIS, Pasep, Cofins taxes – Regulatory assets	60.880,00	190.551,00
1.02.01.01.08	Deferred tariff adjustment	81.742,00	127.488,00
1.02.01.02	Receivable from related parties	5.733,00	7.540,00
1.02.01.02.01	From affiliates and equivalent	0,00	0,00
1.02.01.02.02	From subsidiaries	0,00	0,00
1.02.01.02.03	From other related parties	0,00	0,00
1.02.01.03	Others	21.053,00	9.229,00
1.02.02	Fixed assets	4.031.111,00	3.738.837,00
1.02.02.01	Investments	4.261,00	2.795,00
1.02.02.01.01	Holdings in affiliates and equivalent entities	0,00	0,00
1.02.02.01.02	Goodwill on holdings in affiliates and equivalent entities	0,00	0,00
1.02.02.01.03	Holdings in subsidiaries	0,00	0,00
1.02.02.01.04	Goodwill on holdings in subsidiaries	0,00	0,00
1.02.02.01.05	Other investments	0,00	0,00
1.02.02.02	Fixed assets	3.847.609,00	3.617.369,00
1.02.02.03	Intangible	179.109,00	118.419,00
1.02.02.04	Deferred	132,00	254,00
LIABILITIES			
Account code	Account line	**31/12/2007**	**31/12/2006**
2	Total liabilities	10.005.365,00	9.447.368,00
2.01	Current liabilities	3.706.505,00	3.543.311,00
2.01.01	Loans and financings	385.050,00	266.981,00
2.01.02	Debentures	17.672,00	15.279,00
2.01.03	Suppliers	568.392,00	653.502,00
2.01.04	Taxes, charges and contributions	652.937,00	750.183,00
2.01.05	Interest on Equity, and dividends, payable	674.408,00	670.712,00
2.01.06	Provisions	496.348,00	481.771,00
2.01.06.01	Salaries and mandatory charges on payroll	160.365,00	124.102,00
2.01.06.02	Regulatory charges	264.835,00	305.040,00
2.01.06.03	Profit shares	71.148,00	52.629,00

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2.01.07	Debt to related parties	2.582,00	0,00
2.01.08	Others	909.116,00	704.883,00
2.01.08.01	Anticipated expenses – CVA	529.961,00	328.143,00
2.01.08.02	Post-employment obligations	64.238,00	87.369,00
2.01.08.03	Provision for losses on financial instruments	108.176,00	134.877,00
2.01.08.04	Other obligations	206.741,00	154.494,00
2.02	Non-current liabilities	3.858.318,00	3.554.075,00
2.02.01	Long term liabilities	3.858.318,00	3.554.075,00
2.02.01.01	Loans and financings	1.670.425,00	1.877.271,00
2.02.01.02	Debentures	678.936,00	258.380,00
2.02.01.03	Provisions	46.529,00	2.664,00
2.02.01.03.01	Provisions for contingencies	46.529,00	2.664,00
2.02.01.04	Debt to related parties	0,00	0,00
2.02.01.05	Advances against future capital increase	0,00	0,00
2.02.01.06	Others	1.462.428,00	1.415.760,00
2.02.01.06.01	Anticipated expenses – CVA	190.564,00	119.907,00
2.02.01.06.02	Post-employment obligations	824.686,00	890.456,00
2.02.01.06.03	Suppliers	314.989,00	220.040,00
2.02.01.06.04	Taxes, charges and contributions	110.820,00	174.418,00
2.02.01.06.05	Regulatory charges	12.474,00	0,00
2.02.01.06.06	Other obligations	8.895,00	10.939,00
2.02.02	Future earnings	0,00	0,00
2.04	Stockholders' equity	2.440.542,00	2.349.982,00
2.04.01	Registered capital – paid-up	2.261.998,00	2.261.998,00
2.04.02	Capital reserves	0,00	0,00
2.04.03	Revaluation reserves	0,00	0,00
2.04.03.01	Own assets	0,00	0,00
2.04.03.02	Subsidiaries, affiliates and equivalent entities	0,00	0,00
2.04.04	Profit reserves	178.544,00	87.984,00
2.04.04.01	Legal reserve	126.544,00	87.984,00
2.04.04.02	Reserve under Bylaws	0,00	0,00
2.04.04.03	For contingencies	0,00	0,00

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2.04.04.04	For future earnings	0,00	0,00
2.04.04.05	Retained earnings	52.000,00	0,00
2.04.04.06	Special reserve for dividends not distributed	0,00	0,00
2.04.04.07	Other profit reserves	0,00	0,00
2.04.05	Retained earnings (loss)	0,00	0,00
2.04.06	Advances against future capital increase	0,00	0,00

INCOME STATEMENT FOR THE YEAR
(R$ '000)

Account code	Account line	01/01/2007 to 31/12/2007	01/01/2006 to 31/12/2006
3.01	Gross revenue from sales and/or services	9.900.379,00	9.283.286,00
3.01.01	Gross revenue from retail supply of electricity	3.307.611,00	3.088.107,00
3.01.02	Revenue for use of network – captive consumers	5.203.317,00	4.877.559,00
3.01.03	Revenue from use of the network	1.321.481,00	1.260.721,00
3.01.04	Deferred tariff adjustment	0,00	0,00
3.01.05	Other operational revenues	67.970,00	56.899,00
3.02	Deductions from gross revenue	-3.923.968,00	-3.864.232,00
3.03	Net revenue from sales and/or services	5.976.411,00	5.419.054,00
3.04	Cost of goods and /or services sold	-4.250.049,00	-4.163.240,00
3.04.01	Electricity purchased for resale	-2.164.173,00	-1.981.437,00
3.04.02	Charges for use of the basic transmission grid	-446.838,00	-515.224,00
3.04.03	Personnel and managers	-612.650,00	-733.944,00
3.04.04	Post-employment obligations	-72.827,00	-115.793,00
3.04.05	Materials	-67.931,00	-58.520,00
3.04.06	Outsourced services	-350.078,00	-291.609,00
3.04.07	Depreciation and amortization	-398.199,00	-365.517,00
3.04.08	Operational provisions	-42.475,00	-4.221,00
3.04.09	Royalties (for use of water resources)	0,00	-11.581,00
3.04.13	Others	-94.878,00	-85.394,00

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3.05	Gross profit	1.726.362,00	1.255.814,00
3.06	Operational revenue (expenses)	-268.207,00	-10.432,00
3.06.01	Selling expenses	-162.828,00	-130.429,00
3.06.02	General and administrative expenses	-88.680,00	-46.199,00
3.06.03	Net financial revenues (expenses)	7.853,00	188.955,00
3.06.03.01	FINANCIAL REVENUES (expenses)	666.917,00	768.156,00
3.06.03.02	FINANCIAL EXPENSES	-659.064,00	-579.201,00
3.06.04	Other operational revenues	0,00	0,00
3.06.05	OTHER OPERATIONAL EXPENSES	-24.552,00	-22.759,00
3.06.06	Equity income from subsidiaries	0,00	0,00
3.07	Operational profit	1.458.155,00	1.245.382,00
3.08	Non-operational revenue (expenses)	-43.027,00	-25.500,00
3.08.01	Revenues	3.337,00	11.844,00
3.08.02	Expenses	-46.364,00	-37.344,00
3.09	Profit before taxes and profit sharing	1.415.128,00	1.219.882,00
3.10	Provision for income tax and Social Contribution	-456.014,00	-407.344,00
3.11	Deferred income tax	144.295,00	107.461,00
3.12	Profit sharing and contributions under the Bylaws	-332.201,00	-150.432,00
3.12.01	Stockholdings	-332.201,00	-150.432,00
3.12.02	Contributions	0,00	0,00
3.13	Reversal of Interest on Equity	0,00	0,00
3.15	Net profit for the period	771.208,00	769.567,00

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STATEMENT OF SOURCES AND USES OF FUNDS (R$ ’000)			
Account code	**Account line**	**01/01/2007 to 31/12/2007**	**01/01/2006 to 31/12/2006**
4.01	Sources	2.844.444,00	3.002.692,00
4.01.01	From operations	953.619,00	1.006.737,00
4.01.01.01	Net profit for the period	771.208,00	769.567,00
4.01.01.02	Amounts not representing movement in current assets	182.411,00	237.170,00
4.01.01.02.01	Depreciation and amortization	416.891,00	367.294,00
4.01.01.02.02	Long-term interest and monetary variations	-235.111,00	-161.087,00
4.01.01.02.03	Deferred income tax and Social contribution	-144.295,00	-107.461,00
4.01.01.02.04	Net write-offs of fixed assets	25.207,00	15.093,00
4.01.01.02.05	Post-employment liabilities	73.570,00	115.793,00
4.01.01.02.06	Provision for losses – Tariff Recomposition	2.285,00	7.759,00
4.01.01.02.07	Regulatory assets – PIS, Pasep and Cofins	0,00	0,00
4.01.01.02.08	Provisions for operational losses	43.864,00	-221,00
4.01.01.02.09	Deferred tariff adjustment	0,00	0,00
4.01.02	From stockholders	0,00	0,00
4.01.02.01	Short term net assets transferred as capital injection	0,00	0,00
4.01.02.02	Capital increase	0,00	0,00

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4.01.03	From third parties	1.890.825,00	1.995.955,00
4.01.03.01	Financings obtained	558.874,00	410.212,00
4.01.03.02	Special Obligations	262.437,00	299.370,00
4.01.03.03	Transf. Realiz. L.P. Desp. CVA	107.689,00	4.733,00
4.01.03.04	Transf. Realiz. L.P. PIS/COFINS	129.671,00	184.071,00
4.01.03.05	Transfer from Long-term assets: Extraordinary Tariff Recomposition	390.483,00	285.926,00
4.01.03.06	Transfer from Long-term assets: Deferred Tariff Adjustment	181.546,00	764.141,00
4.01.03.07		94.466,00	0,00
4.01.03.08	Reduction in Long-term assets	0,00	21.152,00
4.01.03.09	Taxes subject to offsetting	159.360,00	0,00
4.01.03.10	Others	6.299,00	26.350,00
4.02	Cash investments	2.297.122,00	3.022.325,00
4.02.01	Taxes subject to offsetting	0,00	48.924,00
4.02.02	Anticipated expenses – CVA	58.757,00	0,00
4.02.03	On investments	1.466,00	859,00
4.02.04	On fixed assets	995.342,00	1.217.677,00
4.02.05	Interest on Equity and dividends	680.648,00	731.089,00
4.02.06	Transf. p/ Circ. Fornecedores	38.249,00	107.510,00
4.02.07	Transfer to Current – Post-employment obligations	139.340,00	160.463,00
4.02.08	Taxes and Social Contribution – transfer to Current	63.598,00	316.282,00
4.02.09	CVA – Transfer to Long-term	0,00	71.386,00
4.02.10	Transf. p/ Circ. Empr. e Financiamentos	312.574,00	184.236,00
4.02.11	Tax credits – transfer to non-current	0,00	49.676,00
4.02.12	Payments into Court	7.148,00	94.588,00
4.02.13	Others	0,00	39.635,00
4.03	Increase (decrease) in capital Current	547.322,00	-19.633,00
4.04	Change in Current assets	710.516,00	405.592,00
4.04.01	Current assets at start of period	3.835.826,00	3.430.234,00
4.04.02	Current assets at end of period	4.546.342,00	3.835.826,00
4.05	Change in Current liabilities	-163.194,00	-425.225,00
4.05.01	Current liabilities at start of period	-3.543.311,00	-3.118.086,00
4.05.02	Current liabilities at end of period	-3.706.505,00	-3.543.311,00

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Financial indicators		
	31/12/2007	31/12/2006
Leverage		
Third party resources / Stockholders' Equity	3.10	3.02
Loans / Stockholders' Equity	1.13	1.03
Activity index		
Asset turnover	0.60	0.57
Property, plant and equipment		
Investment ratio	1.65	1.59
Liquidity		
General liquidity	0.79	0.80
Current liquidity	1.23	1.08
Acid test ratio	1.22	1.08
Profitability		
Gross margin	28.89%	23.17%
Net margin	12.90%	14.20%
Return on Equity	31.60%	32.75%

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