Distribuição S.A.

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AUDITORS’ REPORT ON SPECIAL REVIEW .... Erro! Indicador não definido.

CEMIG
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BALANCE SHEETS

AT SEPTEMBER 30 AND JUNE 30, 2008

ASSETS

(R$ ’000)

	09/30/2008	06/30/2008
CURRENT		
Cash and cash equivalents (Note 3)	960,242	553,402
Consumers and resellers (Note 4)	1,291,401	1,356,428
Concession holders – power transportation	410,694	404,068
Extraordinary Tariff Recomposition, and Portion “A” – Note 6	320,562	315,053
Taxes Subject to Offsetting (Note 8)	683,731	576,357
Anticipated expenses – CVA (Note 7)	422,231	251,230
Tax credits (Note 9)	140,637	117,157
Regulatory Asset – PIS, Pasep and Cofins (Note 11)	46,240	46,240
Deferred Tariff Adjustment (Note 10)	260,337	359,029
Inventories	18,521	15,858
Others	278,300	372,644
TOTAL, CURRENT	4,832,896	4,367,466
NON-CURRENT		
Non-current financial assets		
Extraordinary Tariff Recomposition, and Portion “A” (Note 6)	257,219	322,470
Anticipated Expenses – CVA (Note 7)	441,742	504,063
Tax Credits (Note 9)	147,468	159,535
Taxes Subject to Offsetting (Note 8)	47,677	49,947
Deposits linked to legal actions	158,191	122,299
Consumers and resellers (Note 4)	32,505	36,493
Receivable from related parties	23,353	6,003
Other credits	20,939	20,158
	1,129,094	1,220,968
Fixed assets		
Investments	5,556	5,508
Property, plant and equipment (Note 12)	3,954,421	3,855,796
Intangible (Note 12)	214,633	197,297
Deferred	41	71
Total fixed assets	4,174,651	4,058,672
TOTAL NON-CURRENT ASSETS	5,303,745	5,279,640
TOTAL ASSETS	10,136,641	9,647,106

The Explanatory Notes are an integral part of the financial statements.

CEMIG Distribuição S.A.

BALANCE SHEETS

SEPTEMBER 30 AND JUNE 30, 2008

LIABILITIES

(R$ '000)

	09/30/2008	06/30/2008
CURRENT		
Loans and financings (Note 15)	222,992	170,090
Debentures (Note 15)	36,620	19,398
Suppliers (Note 13)	550,638	420,746
Taxes, Charges and Contributions (Note 14)	866,070	787,682
Interest on Equity and dividends	492,226	465,888
Salaries and mandatory charges on payroll	150,122	140,531
Regulatory Charges (Note 16)	306,730	285,962
Profit shares	48,531	32,376
Regulatory liabilities – CVA (Note 7)	391,356	314,109
Debt to related parties	19,775	11,904
Post-employment obligations (Note 17)	51,768	55,533
Provision for losses on financial instruments (Note 27)	100,973	118,761
Others	196,474	214,103
TOTAL, CURRENT	3,434,275	3,037,083
NON-CURRENT		
Non-current liabilities		
Loans and financings (Note 15)	1,652,691	1,635,971
Debentures (Note 15)	723,649	713,309
Contingency provisions	62,484	57,965
Regulatory liabilities – CVA (Note 7)	263,970	380,686
Post-employment obligations (Note 17)	841,290	824,274
Taxes, charges and contributions (Note 14)	141,540	118,614
Regulatory charges (Note 16)	15,434	15,873
Others	7,232	9,599
TOTAL NON-CURRENT	3,708,290	3,756,291
STOCKHOLDERS' EQUITY (Note 19)		
Registered capital	2,261,998	2,261,998
Profit reserves	178,544	178,544
Retained earnings	553,534	413,190
STOCKHOLDERS' EQUITY	2,994,076	2,853,732
TOTAL LIABILITIES	10,136,641	9,647,106

The Explanatory Notes are an integral part of the financial statements.

CEMIG Distribuição S.A.

INCOME STATEMENT

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007
(R$ ’000, except net profit per thousand shares)

	09/30/2008	09/30/2007 Reclassified
OPERATIONAL REVENUE		
Gross retail supply of electricity (Note 20)	1,976,789	2,395,093
Revenue for use of the network – Captive consumers (Note 20)	4,522,552	3,874,638
Revenue for use of the network – Free Consumers (Note 21)	1,015,395	955,593
Other operational revenues (Note 22)	57,082	50,483
	7,571,818	7,275,807
DEDUCTIONS FROM OPERATIONAL REVENUE (Note 23)	(2,942,835)	(2,937,906)
NET OPERATIONAL REVENUE	4,628,983	4,337,901
COST OF ELECTRICITY SERVICE		
COST OF ELECTRICITY (Note 24)		
Electricity purchased for resale	(1,785,448)	(1,574,176)
Charges for the use of the basic transmission grid	(345,748)	(337,885)
	(2,131,196)	(1,912,061)
COST OF OPERATION (Note 24)		
Personnel and managers	(512,628)	(449,153)
Post-employment obligations	(103,231)	(53,257)
Materials	(55,628)	(49,535)
Outsourced services	(276,801)	(234,655)
Depreciation and amortization	(268,413)	(292,995)
Operational provisions	(14,658)	(31,052)
Others	(73,590)	(73,603)
	(1,304,949)	(1,184,250)
TOTAL COST	(3,436,145)	(3,096,311)
GROSS PROFIT	1,192,838	1,241,590
OPERATIONAL COST (Note 24)		
Selling expenses	(69,397)	(90,116)
General and administrative expenses	(92,143)	(65,191)
OTHER OPERATIONAL EXPENSES	(18,988)	(21,068)
	(180,528)	(176,375)
PROFIT FROM THE SERVICE (OPERATIONAL PROFIT BEFORE FINANCIAL REVENUES AND EXPENSES)	1,012,310	1,065,215
Net financial revenues (expenses) (Note 25)	(12,608)	20,696
OPERATIONAL PROFIT	999,702	1,085,911
NON-OPERATIONAL RESULT	(5,159)	(25,949)
PROFIT BEFORE INCOME TAX AND PROFIT SHARING UNDER THE BYLAWS	994,543	1,059,962
Income tax and Social Contribution (Note 9b)	(365,737)	(393,216)
Income tax and Social Contribution – deferred (Note 9b)	85,698	87,224
Employees’ and managers’ shares in results	(48,467)	(47,500)
NET PROFIT FOR THE YEAR	666,037	706,470
NET PROFIT PER THOUSAND SHARES – R$	294.45	312.32

The Explanatory Notes are an integral part of the financial statements.

EXPLANATORY NOTES TO THE QUARTERLY INFORMATION (ITR)

BALANCE ON SEPTEMBER 30, 2008
In R$ '000, except where otherwise stated

1) – OPERATIONAL CONTEXT

Cemig Distribuição S.A. ("the Company", "Cemig D", or "Cemig Distribuição") is a Brazilian corporation registered for listing with the Brazilian Securities Commission (CVM), and is 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, following the segregation of Cemig's business activities.

Cemig Distribuição has a concession area of 567,478 Km^2, approximately 97.00% of Minas Gerais state, serving 6,583,510 consumers as of September 30, 2008. (Information not reviewed by our external auditors).

Cemig D was registered for listing by the CVM on September 25, 2006. At present its shares are not listed nor traded on any exchange.

2) – PRESENTATION OF THE QUARTERLY INFORMATION

The quarterly financial statements were prepared according to accounting principles adopted in Brazil, namely: the Brazilian Corporate Law; rules of the Brazilian Securities Commission (*CVM – Comissão de Valores Mobiliários*); and rules of the specific legislation applicable to holders of electricity concessions, issued by the Brazilian National Electricity Agency, Aneel.

The quarterly information was prepared according to accounting principles, methods and criteria that are uniform in relation to those adopted in the previous year, except in relation to the practice of adjustment to present value mentioned in this explanatory note, arising from CVM Instruction 469/08.

The statements of cash flow were prepared in accordance with the criteria of FAS 95 – Statement of Cash Flows, with references made to the format of presentation, in the context of registry of the financial statements with the Securities and Exchange Commission (SEC).

<u>Change in the Brazilian Corporate Law</u>

Law 11638/07 of December 28, 2007 alters and repeals provisions, and creates new provisions, in the Brazilian Corporate Law, in the chapter relating to disclosure and preparation of financial statements. Among other aspects, this changes the criterion for recognition and valuation of certain assets and liabilities. These changes in accounting practices come into effect as from January 1, 2008.

The aim of these changes is to increase the transparency of financial statements of Brazilian companies and eliminate some regulatory barriers that were an obstacle to the process of convergence of these financial statements with International Financial Reporting Standards (IFRS):

The main changes to the Law, coming into effect as from 2008, that could affect the company's financial statements, are as follows:

- Replacement of the Statement of Origins and Uses of Funds by the Cash Flow Statement.
- Inclusion of the Added Value Statement in the group of financial statements prepared, disclosed and to be submitted for approval to the Ordinary General Meeting of stockholders.

- A new possibility was created, further to that originally specified in the Corporate Law, of separation of trading reporting and tax reporting, by establishing the alternative for the company of adopting in its trading reporting, and not only in auxiliary books, the provisions of the Tax Law, provided that, immediately afterward, after the calculation of the taxable profit base amount, the necessary adjustments are made for the financial statements to be in harmony with the Corporate Law and the fundamental principles of accounting.

- Creation of two new subgroups of accounts: Intangible, in Fixed assets; and Adjustments to valuations of assets and liabilities, in Stockholders' equity. The sub-group of "Adjustments to Valuation of Assets and Liabilities" will essentially have the purpose of containing the counterpart of certain valuations of assets at market price, the valuation of certain financial instruments and, also, conversion adjustments as a result of FX variation on holdings in companies outside Brazil.

- New criteria for classification and valuation of investments and financial instruments, including derivatives. These financial instruments will be classified in three categories (Held for trading, Held to maturity and Available for sale) and their valuation at cost plus return or at market value will be made as a function of their classification in one of these categories.

- Introduction of the concept of Adjustment to Present Value for long-term asset and liability transactions and for significant short-term transactions.

- In absorption, merger or split transactions (combination of companies), when carried out between non-related parties and linked to effective transfer of control, all the assets and liabilities of the absorbed, split or merged company must be identified, valued and accounted at market value.

- Elimination of the possibility of spontaneous revaluations of fixed assets being made.

As communicated to the market, the CVM intends, by the end of 2008, to complete its process of issue of regulations for the provisions of the Corporate Law that were altered and which need regulation, and will review all its normative acts that deal with accounting matters, so as to verify and eliminate any divergences in relation to the specific alterations produced by the new law.

On May 2, 2008, the Brazilian Securities Commission (CVM) issued CVM Instruction 469, specifying immediate need for adaptation, for some rules, and clarifying other questions related to the changes produced by the new Law. Under this Instruction, some changes in accounting practices become obligatory starting with the first ITR (Quarterly Information) of 2008.

In compliance with the Instruction, the Company has adjusted to present value certain contracts for financing and debentures, and also obligations payable in relation to concessions held for consideration, based on discount rates that correspond, in the Company's estimation, to the present cost of raising funds through loans and financings.

The accounting effects on the financial statements arising from the immediate application of the adjustment to present value mentioned above are as follows:

Fixed assets	(61,357)
Liabilities	
Loans, financings and debentures	(52,186)
Taxes, charges and contributions	(3,118)
Stockholders' equity	(6,053)
	(61,357)
Profit for the year	
Operational revenue (expenses)	(2,076)
Net financial revenue (expenses)	12,800
Deferred income tax and Social Contribution	(3,646)
	7,078

The Company calculated the effects of the adjustments to present value relating to the previous years, which were made directly against Stockholders' Equity. The figures for January through September that would affect the result of 2007, in the amount of R$ 769, net of tax effects, were not adjusted for the purposes of comparison, due to the said value not being of significant scale.

Reclassification of accounting balances of the previous year

The following reclassifications were made for purposes of comparability, to the amounts previously presented in the income statement at September 30, 2007:

Original account line		Reclassified to	
Personnel and managers		**Income statement**	
Operational costs – cost of operation	45,846	Employees' and managers' shares in results	(47,500)
General and administrative expenses	1,654		
Gross revenue from supply of electricity	3.874.638	Revenue from use of the network – Captive consumers	(3,874,638)

As a result of inclusion in the Company's bylaws in 2007 of a provision for payment of profit shares to the employees and managers of the company, this profit share has now begun to be posted as an amount reducing net profit before tax and profit shares. Up to the third quarter of 2007 it was posted under Personnel Expenses.

3) – CASH AND CASH EQUIVALENTS

	09/30/2008	06/30/2008
Bank accounts	57,724	57,665
Cash investments		
Bank Deposit Certificate	877.193	466.101
Financial Treasury Bill	4.822	3.994
National Treasury Bill	3.251	3.678
Other	17.252	21.964
	902.518	**495.737**
	960.242	**553.402**

Cash investments consist of transactions carried out with Brazilian financial institutions, contracted on normal market conditions and at normal market rates. Hence these amounts are available to be used in the Company's operations.

4) – CONSUMERS AND RESELLERS

Consumer type	Balances not yet due	Up to 90 days past due	More than 90 days past due	Total 09/30/2008	Total 06/30/2008
Residential	318,161	98,321	27,352	443,834	549,594
Industrial	136,304	19,650	247,195	403,149	425,055
Commercial, services and others	180,666	28,652	37,876	247,194	273,455
Rural	65,178	12,646	12,430	90,254	80,469
Public authorities	63,247	13,226	11,577	88,050	112,004
Public illumination	97,035	4,351	10,155	111,541	103,717
Public service	73,867	2,211	3,341	79,419	49,863
Subtotal – Consumers	934,458	179,057	349,926	1,463,441	1,594,157
Wholesale supply to other concession holders	590	-	-	590	361
Provision for doubtful receivables	-	-	(172,630)	(172,630)	(238,090)
	935,048	**179,057**	**177,296**	**1,291,401**	**1,356,428**

An amount of Receivables in the amount of R$ 32,505 is recorded in Non-current assets at September 30, 2008 (R$ 36,493 at June 30, 2008), in relation to the renegotiation of receivables owed by Copasa (Minas Gerais Water Company) and the prefecture of Belo Horizonte, to be paid by September 2012 and March 2010, respectively

Credits receivable from an industrial consumer in the amount of R$ 46,692, not paid due to an injunction that allowed this payment not to be made until final judgment of a legal action challenging the tariff increase during the Cruzado Economic Plan made by Ministerial Order 045/86, are recorded in the accounts. The Company expects the amounts referred to be received in full.

According to rules laid down by Aneel, the criteria for constitution of provisions are as follows: (i) for consumers with significant debts payable, an individual analysis is made of the balance, taking into account the history of default, negotiations in progress and the existence of real guarantees; (ii) for other consumers, the debts receivable and unpaid for more than 90 days from residential consumers, more than 180 days from commercial consumers and more than 360 days for the other consumer categories, are provisioned in full.

The provision made for doubtful credits is considered to be sufficient to cover any losses in the realization of these assets.

5) – REGULATORY ASSETS AND LIABILITIES

The General Agreement for the Electricity Sector, signed in 2001, and the new regulations governing the electricity sector, result in the constitution of several regulatory assets and liabilities, and also in deferral of federal taxes applicable to these assets and liabilities (which are settled as and when the assets and liabilities are received and/or paid), as shown here:

	09/30/2008	06/30/2008
Assets		
Extraordinary Tariff Recomposition, and Portion "A" – Note 6	577,781	637,523
Deferred tariff adjustment – Note 10	260,337	359,029
PIS-Pasep and Cofins – Note 11	46,240	46,240
Pre-paid expenses – CVA – Note 7	863,973	755,293
Review of the tariff for use of the distribution network (TUSD)	3,089	3,089
Discounts on the TUSD	15,616	23,132
Low-income subsidy	101,262	170,435
Light for Everyone (*Luz Para Todos*) Program.	26,198	38,807
Other regulatory assets	5,803	8,596
	1,900,299	2,042,144
Liabilities		
Regulatory charges – CVA – Note 7	(655,326)	(694,795)
Review of the tariff for use of the distribution network (TUSD)	(15,955)	(15,955)
Other regulatory liabilities	(4,727)	(7,001)
	(676,008)	(717,751)
Taxes, charges and contributions – Deferred liabilities – Note 14	(128,318)	(170,783)
	(804,326)	(888,534)
	1,095,973	**1,153,610**

6) – THE EXTRAORDINARY TARIFF RECOMPOSITION, AND PORTION "A"

a) The Extraordinary Tariff Recomposition

Resolution 91 of the Emergency Electricity Council (GCE), of December 21, 2001 and Law 10438 of April 26, 2002, established the procedures for implementation of the Extraordinary Tariff Recomposition (RTE), coming into force on December 27, 2001. The tariff adjustments were set by Resolution 130 of the GCE, on April 30, 2002, as follows:

- Adjustment of 2.90% for consumers in the residential classes (excluding low-rental consumers), and the rural, public-illumination and industrial high-voltage consumer classes, for whom the cost of electricity represents 18.00% or more of the average cost of production and who meet certain requirements related to load factor and electricity demand, specified in the Resolution.

- Increase of 7.90% for other consumers.

The RTE described above is being used to compensate the following items:

- Losses of invoiced sales revenue in the period from June 1, 2001 to February 28, 2002, corresponding to the difference between estimated revenue if the rationing program had not been put in place and the actual revenue while the program was in place, according to a formula published by Aneel. Calculation of this value did not take into account any losses from default by consumers.

- Passthrough to be made to the generators who bought energy in the MAE – which was succeeded in 2004 by the Electricity Sale Chamber (the "CCEE/MAE"), in the period from June 1, 2001 to February 28, 2002, with price in excess of R$ 49.26/MWh (referred to as "Free Energy" amounts).

b) Portion “A”

The items of Portion “A” are defined as being the sum of the differences, positive or negative, in the period January 1 to October 25, 2001, between the amounts of the non-manageable costs presented on the basis of the calculation for determination of the last annual tariff adjustment and the disbursements which effectively took place in the period.

The recovery of “Portion A” began in March 2008, immediately after the ending of the period of validity of the RTE, using the same mechanisms of recovery. In other words, the adjustment applied to tariffs for compensation of the amounts of the RTE will continue, for compensation of the items of “Portion A”.

The Portion “A” credits are updated by the variation in the Selic rate up to the month in which they are actually offset.

As and when the amounts of “Portion A” are received in the tariff, the company transfers the corresponding amount, posted in assets, to the income statement, as follows:

Amounts transferred to expenses	09/30/2008
Energy bought for resale	3,650
Fuel Consumption Account (CCC)	49,558
RGR – Global Reversion Reserve	4,952
Tariff for transport of electricity from Itaipu	108,269
Tariff for use of the grid transmission facilities	14,980
Financial compensation for use of water resources	4,395
Electricity service inspection charge	464
	186,268

c) Composition of the balances of the RTE and Portion “A”

	09/30/2008			06/30/2008
	Principal	Updated by Selic	Total	Total
Compensation for items of Portion “A”	245,299	518,750	764,049	744,344
Amounts billed	(35,203)	(151,065)	(186,268)	(106,821)
Total Portion “A”	**210,096**	**367,685**	**577,781**	**637,523**
Current assets			320,562	315,053
Non-current assets			257,219	322,470

7) – ANTICIPATED EXPENSES AND REGULATORY LIABILITIES – CVA

The balance on the Account to Compensate for Variation of Portion "A" items (CVA) refers to the positive and negative variations between the estimate of Cemig's non-manageable costs, used for deciding the tariff adjustment, and the payments actually made. The variations ascertained are compensated in the subsequent tariff adjustments.

	Balance on 06/30/2008	Amounts deferred (1)	Amortization (2)	Monetary updating (3)	Balance on 09/30/2008
Energy bought for resale	(25,049)	34,669	22,236	(40)	31,816
Fuel Consumption Account (CCC)	(9,641)	33,037	4,541	(147)	27,790
Charge for System Service (ESS)	86,017	29,833	2,786	2,206	120,842
Tariff for transport of electricity from Itaipu	263	1,729	843	(36)	2,799
Tariff for use of the grid transmission facilities	(8,384)	11,040	8,238	(575)	10,319
Royalties for use of water resources	2,587	-	-	-	2,587
Energy Development Account (CDE)	6,303	-	(310)	(82)	5,911
Alternative Energy Program – Proinfa	8,402	-	(1,977)	158	6,583
	60,498	110,308	36,357	1,484	208,647

	09/30/2008	06/30/2008
Current assets	422,231	251,230
Non-current assets	441,742	504,063
Current liabilities	(391,356)	(314,109)
Non-current liabilities	(263,970)	(380,686)
	208,647	60,498

(1) Refers to the part of non-controllable costs that comprises the CVA and was not included in revenue, and thus excluded from profit.

(2) This refers to the non-controllable costs included in the CVA, which were transferred to the income statement since they are included in the company's revenues.

(3) Refers to the updating, by the variation of the Selic rate, of the amounts of assets and liabilities not yet compensated for in the tariff adjustment.

8) – TAXES SUBJECT TO OFFSETTING

	09/30/2008	06/30/2008
Current		
ICMS recoverable	117,968	102,902
Income tax	397,120	330,267
Social Contribution	159,580	135,614
Cofins	7,194	6,019
Pasep	1,480	1,225
Others	389	330
	683,731	576,357
Non-current		
ICMS recoverable	47,677	49,947
	731,408	**626,304**

The balances of income tax and Social Contribution refer to tax credits in corporate income tax returns of previous years, and payments made in 2008, which will be offset in the income tax and Social Contribution payable in the year. They are recorded in Taxes, charges and contributions.

The credits of ICMS recoverable, posted in Non-current assets, arise from acquisitions of fixed assets and are offset in 48 months.

9) – TAX CREDITS

Deferred income tax and Social Contribution

Cemig Distribuição has deferred income tax credits posted in Current assets and Non-current assets, constituted at the rate of 25.00%, and deferred Social Contribution credits, at the rate of 9.00%, as follows:

	09/30/2008	06/30/2008
Tax credits on temporary differences:		
Post-employment obligations	70,914	44,145
Provision for doubtful receivables	66,555	88,811
Contingency provisions	21,199	19,662
Provision for Pasep and Cofins – Extraordinary Tariff Recomposition	8,188	11,217
Financial Instruments	44,344	50,392
FX variation	55,318	50,745
Others	21,587	11,720
	288,105	**276,692**
Current assets	140,637	117,157
Non-current assets	147,468	159,535

At its meeting on March 6, 2008, the Board of Directors approved the technical study prepared by the office of the Chief Officer for Finance, Investor Relations and Control of Holdings of Cemig Distribuição on the forecasts for future profitability adjusted to present value, which show capacity for realization of the deferred tax asset in a maximum period of 10 years, as defined in CVM Instruction 371. This study was also submitted to examination by Cemig Distribuição's Audit Board on March 06, 2008.

In accordance with the estimates of Cemig Distribuição, future taxable profits enable the deferred tax asset existing on September 30, 2008 to be realized according to the following estimate:

	09/30/2008
2008	78,301
2009	83,115
2010	27,797
2011	27,797
2012	27,798
2013 to 2015	28,094
2016 and 2017	15,203
	288,105

b) Reconciliation of the expense on income tax and Social Contribution:

The reconciliation of the nominal expense on income tax (rate 25%) and Social Contribution (rate 9%) with the actual expense shown in the Income Statement is as follows:

	09/30/2008	09/30/2007 (reclassified)
Profit before income tax and Social Contribution	994,543	1,059,962
Income tax and Social Contribution – nominal expense	(338,145)	(360,387)
Tax effects applicable to:		
Tax incentive amounts	8,098	4,742
Interest on Equity	38,600	38,150
Employees' profit shares	16,479	16,150
Non-deductible contributions and donations	(5,325)	(3,967)
Adjustment to income tax and Social Contribution – previous business year	742	(555)
Tax credits not recognized	326	657
Others	(814)	(782)
Income tax and Social Contribution – effective expense	**(280,039)**	**(305,992)**

10) – DEFERRED TARIFF ADJUSTMENT

Aneel's decision on the periodic tariff revision of the company was brought into force through Homologating Resolution 71, published with backdated effect on April 4, 2004.

The periodic tariff review includes the repositioning of electricity retail supply tariffs at a level compatible with the preservation of the economic-financial equilibrium of the concession contract, providing sufficient revenue to cover efficient operational costs and adequate remuneration of the investments.

The average adjustment applied to Cemig's tariffs on April 8, 2003, on a provisional basis, was 31.53%. However, as described in the Resolution mentioned, the final tariff repositioning for Cemig should be 44.41%. The percentage difference of 12.88% is being compensated in the tariffs.

The last installment for receipt of the difference between the tariffs adjustments was included in the tariff adjustment which took place on April 8, 2008.

	09/30/2008	06/30/2008
Deferred tariff adjustment – since April 8, 2003	949,612	949,612
Interest (defined by Aneel – 11.26% p.a.)	467,696	458,899
Monetary updating – IGP-M inflation index	224,831	219,255
(-) Amounts raised	(1,381,802)	(1,268,737)
	260,337	359,029

Additionally, deferred taxes applicable to actual revenue were recognized, the balance of which on September 30, 2006 was R$ 112,596.

11) – REGULATORY ASSET – PIS, PASEP AND COFINS

Federal Laws 10637 and 10833 changed the bases of application, and increased the rate, of the PIS/Pasep and Cofins taxes. As a result of these alterations there was an increase in PIS/Pasep expenses from December 2002 to March 2005 and in expenses on the Cofins tax from February 2004 to June 2005.

In view of the fact that this increase in the expense should be repaid to the company, the credits were registered, in accordance with a principle set by Aneel, as a regulatory asset and there was a counterpart reduction in the expense on PIS/Pasep and Cofins taxes.

The amount of this regulatory asset will be reimbursed, according to the Company's estimate, in the tariff adjustment of April 2009.

12) – ASSETS AND INTANGIBLE ASSETS

	Historic cost	Accumulated depreciation	Net amounts 09/30/2008	Net amounts 06/30/2008
In service	**9,945,097**	**(4,473,292)**	**5,471,805**	**5,403,240**
- Distribution	9,565,477	(4,221,964)	**5,343,513**	**5,281,862**
Intangible	11,365	(527)	10,838	10,715
Land	18,084	-	18,084	18,084
Buildings, civil works and improvements	243,021	(123,987)	119,034	121,288
Machines and equipment	9,222,291	(4,054,186)	5,168,105	5,102,155
Vehicles	60,107	(32,950)	27,157	29,330
Furniture and utensils	10,609	(10,314)	295	290
- Administration	379,620	(251,328)	128,292	121,378
Intangible	116,292	(73,285)	43,007	41,714
Land	731	-	731	731
Buildings, civil works and improvements	42,307	(24,831)	17,476	17,824
Machines and equipment	171,625	(110,535)	61,090	54,665
Vehicles	28,646	(24,165)	4,481	4,880
Furniture and utensils	20,019	(18,512)	1,507	1,564
In progress	**1,141,038**	-	**1,141,038**	**1,094,816**
- Distribution	936,148	-	936,148	898,089
Fixed assets	890,087	-	890,087	854,698
Intangible	46,061	-	46,061	43,391
- Administration	204,890	-	204,890	196,727
Fixed assets	90,163	-	90,163	95,250
Intangible	114,727	-	114,727	101,477
Assets and intangible assets	**11,086,135**	**(4,473,292)**	**6,612,843**	**6,498,056**
Special Obligations linked to the concession	(2,500,377)	56,588	(2,443,789)	(2,444,963)
Fixed and intangible assets, net	**8,585,758**	**(4,416,704)**	**4,169,054**	**4,053,093**

"Special Obligations linked to the concession" refers basically to contributions by consumers for execution of the undertakings necessary to comply with requests for retail supply of electricity.

Under Aneel Resolution, the balances of the "Special Obligations" linked to assets has begun to be amortized as from the second cycle of tariff reviews, which in the case of Cemig is from April 8, 2008, at a percentage corresponding to the average rate of depreciation of the assets in service.

The amount of R$ 339,736 is recorded in Fixed assets in progress – Distribution, on September 30, 2008 (R$ 380.496 on June 30, 2008), relating to the "Light for Everyone" program.

Some land sites and buildings of the subsidiaries which were given in guarantee in lawsuits involving tax, labor-law, civil and other disputes are recorded in Fixed assets – Administration. These were posted at the amount of R$ 7,445 on September 30, 2008, net of depreciation.

13) – SUPPLIERS

	09/30/2008	06/30/2008
Current		
Wholesale supply and transport of electricity		
Eletrobrás – energy from Itaipu	138,501	115,757
Furnas	53,276	50,469
CCEE	88,921	35,628
Cemig Geração e Transmissão	21,070	13,711
CHESF – Cia. Hidroelétrica do São Francisco	26,524	24,445
CESP – Cia. Energética de São Paulo	16,615	15,451
CEEE – Cia. Estadual de Energia Elétrica	13,524	13,204
Ponte de Pedra Energética	11,547	11,861
Other generators and distributors	64,790	52,060
	434,768	332,586
Materials and services	115,870	88,160
	550,638	420,746

14) – TAXES, CHARGES AND CONTRIBUTIONS

	09/30/2008	06/30/2008
Current		
Income tax	309,178	218,322
Social Contribution	113,926	80,094
ICMS tax	234,372	238,489
Cofins tax	49,573	48,066
Pasep	10,763	10,435
Social security system	9,808	9,896
Others	10,132	11,597
	737,752	616,899
Deferred obligations		
Income tax	76,644	101,318
Social Contribution	27,592	36,474
Cofins tax	19,786	27,106
Pasep	4,296	5,885
	128,318	170,783
	866,070	**787,682**
Non-current		
Cofins tax	26,082	-
Pasep	5,663	-
	31,745	-
Deferred obligations		
Income tax	80,732	87,216
Social Contribution	29,063	31,398
	109,795	118,614
	141,540	**118,614**

Deferred obligations in “current”, above, refers mainly to the assets and liabilities linked to regulatory issues, which are payable as and when the assets and liabilities are realized by billing.

The non-current Pasep/Cofins liabilities refer to the legal action challenging the portion applicable for ICMS tax. The Company has obtained an interim remedy from the judiciary enabling it not to make the payment and authorizing payment into Court.

Deferred obligations in “non-current”, above, relate to recognition of financial instruments (FX variation, and hedging), by the cash method, which are payable as and when they are realized, by payment or redemption.

The other income tax and Social Contribution liabilities payable, recorded in Current liabilities, will be compensated by prepaid expenses, posted in Assets, under Taxes offsettable.

15) – LOANS, FINANCINGS AND DEBENTURES

	09/30/2008						06/30/2008
FINANCING SOURCES	Principal maturity	Annual cost (%)	Currencies	Current	Non-current	Total	Total
FOREIGN CURRENCY							
ABN AMRO Bank – N. ( ) (2)	2013	6.00	US$	1,579	95,715	97,294	79,688
ABN AMRO Real S.A. (3)	2009	6.35	US$	3,199	1,503	4,702	3,827
ABN AMRO Real S.A. (3)	2009	6.35	US$	8,734	4,106	12,840	10,451
ABN AMRO Real S.A. (3)	2009	6.35	US$	2,813	1,330	4,143	3,372
Banco do Brasil S.A. – Various bonds (1)	2024	Various	US$	15,002	80,232	95,234	78,090
BNP Paribas	2010	Libor + 1.875	US$	9,842	9,381	19,223	15,782
KFW	2016	4.50	EURO	1,946	13,322	15,268	14,051
Unibanco S.A. (4)	2009	5.50	US$	81	3,903	3,984	3,267
Unibanco S.A. (4)	2009	5.00	US$	166	9,729	9,895	8,125
Debt in foreign currency				**43,362**	**219,221**	**262,583**	**216,653**
BRAZILIAN CURRENCY							
Banco do Brasil S.A.	2009	111.00 of CDI	R$	6,399	56,178	62,577	60,424
Banco do Brasil S.A.	2013	CDI + 1.70	R$	655	20,001	20,656	20,886
Banco do Brasil S.A.	2013	107.60 of CDI	R$	5,218	96,000	101,218	97,842
Banco do Brasil S.A.	2014	104.1 of CDI	R$	16,479	300,000	316,479	306,258
Banco Itaú – BBA	2013	CDI + 1.70	R$	5,705	132,434	138,139	137,970
Banco Itaú – BBA	2014	CDI + 1.70	R$	351	3,473	3,824	3,689
HSBC Bank Brasil S.A.	2008	CDI + 2.00	R$	11,772	-	11,772	11,349
Banco Votorantim S.A.	2010	113.50 of CDI	R$	1,084	29,248	30,332	29,265
Banco Votorantim S.A.	2013	CDI + 1.70	R$	2,483	98,214	100,697	99,491
Bradesco S.A.	2013	CDI + 1.70	R$	12,840	240,869	253,709	246,682
Debentures (5)	2014	IGP-M + 10.50	R$	10,469	302,027	312,496	299,540
Debentures (5)	2017	IPCA+7.96	R$	26,151	421,622	447,773	433,167
Eletrobrás (6)	2008	FINEL + 8.50	R$	1,737	-	1,737	2,572
Eletrobrás (6)	2023	UFIR + 6.00 to 8.00	R$	44,311	226,945	271,256	276,179
Large consumers	2011	Various	R$	2,772	2,510	5,282	5,144
Santander do Brasil S.A.	2013	CDI + 1.70	R$	1,674	49,958	51,632	50,191
Unibanco S.A.	2013	CDI + 1.70	R$	7,853	130,224	138,077	138,149
Banco do Nordeste do Brasil	2010	TR+7.30	R$	55,147	47,320	102,467	100,100
Others	2010	Various	R$	3,150	96	3,246	3,217
Debt in Brazilian Currency				**216,250**	**2,157,119**	**2,373,369**	**2,322,115**
Overall total				**259,612**	**2,376,340**	**2,635,952**	**2,538,768**

(1) Interest rates vary: 2.00 to 8.00 % per year; six-month Libor plus spread of 0.81 to 0.88% p.a.
(2) to (4) Swaps for exchange of rates were contracted. The following are the rates for the loans and financings taking the swaps into account:
(2) CDI + 2.00% p.a.;
(3) CDI + 2.12% p.a.;
(4) CDI + 2.81% p.a. and
(5) CDI + 3,01% p.a.
(5) Nominal, book-entry, non-convertible debentures, without guarantee or preference.
(6) Contracts adjusted to present value, according to the changes made to the Corporate Law by Law 11638/07.

The composition of loans, by currency and indexor, with the respective amortization is as follows:

	2008	2009	2010	2011	2012	2013	2014	2015 and beyond	Total
Currencies									
US dollar	41,416	29,795	37,687	32,996	30,601	28,206	2,139	44,475	247,315
Euro	1,946	888	1,776	1,776	1,776	1,776	1,776	3,554	15,268
Indexors	**43,362**	**30,683**	**39,463**	**34,772**	**32,377**	**29,982**	**3,915**	**48,029**	**262,583**
IPCA (Expanded Consumer Price Index)									
IGP-M inflation index									
UFIR – Fiscal Reference Unit	26,151	-	-	-	-	-	-	421,622	447,773
CDI (Interbank CD rate)	10,469	-	-	-	-	-	302,027	-	312,496
Others	44,311	14,038	48,661	42,156	33,326	25,098	21,062	42,604	271,256
US dollar	72,513	56,178	197,172	168,793	268,793	364,793	100,870	-	1,229,112
Euro	62,806	31	47,509	247	585	585	708	261	112,732
	216,250	**70,247**	**293,342**	**211,196**	**302,704**	**390,476**	**424,667**	**464,487**	**2,373,369**
	259,612	**100,930**	**332,805**	**245,968**	**335,081**	**420,458**	**428,582**	**512,516**	**2,635,952**

The principal currencies and indexors used for monetary updating of loans, financings and debentures had the following variations:

Currencies	Change in quarter ended 09/30/2008 %	Accumulated change in 2008 %	Indexors	Change in quarter ended 09/30/2008 %	Accumulated change in 2008 %
US dollar	20.25	8.07	IGP-M	1.54	12.31
Euro	7.45	3.24	CDI	3.16	8.72
			Selic	3.22	8.83

The movement on loans, financings and debentures is as follows:

Balance on June 30, 2008	**2,538,768**
Adjustment to present value	7,776
Monetary and FX variation	52,126
Financial charges provisioned	71,860
Financial charges paid	(20,889)
Amortization of financings	(13,689)
Balance on September 30, 2008	**2,635,952**

Restrictive covenant clauses

Cemig Distribuição has loans and financings with restrictive covenants, which were complied with in full on September 30, 2008.

16) – REGULATORY CHARGES

	09/30/2008	06/30/2008
RGR – Global Reversion Reserve	20,870	21,309
CCC – Fuel Consumption Account	39,268	25,489
Energy Development Account – CDE	24,288	24,288
Eletrobrás – Compulsory loan	1,207	1,207
Aneel inspection charge	2,026	2,026
National Scientific and Technological Development Fund	16,415	17,340
Energy efficiency	134,199	128,845
Research and development	75,683	72,663
Energy system expansion research	8,208	8,668
	322,164	**301,835**
Current liabilities	306,730	285,962
Non-current liabilities	15,434	15,873

17) – POST-EMPLOYMENT OBLIGATIONS

Cemig Geração e Transmissão is sponsor of the Forluminas Social Security Foundation – Forluz, a non-profit legal entity whose object is to provide its associates and participants and their dependents and beneficiaries with a financial income supplementing retirement and pension, in accordance with the private pension plan to which they are linked.

Forluz makes the following supplementary pension benefit plans available to its participants:

The Mixed Benefits Plan ("Plan B"): A defined-contribution plan in the phase of accumulation of funds, for retirement benefits for normal time of service, and defined-benefit coverage for disability or death of the active participant or receipt of benefits for time of contribution. The contributions of the Sponsors are equal to the basic monthly contributions of the participants, and this is the only plan open for joining by new participants.

The contribution of the Sponsors to this plan is 27.52% for the portion with defined-benefit characteristics, relating to the coverage for invalidity or death for the active participant, and this is used for amortization of the defined obligation through an actuarial calculation. The remaining 72.48%, relating to the portion of the plan with defined-contribution characteristics, goes to the nominal accounts of the participants and is recognized in the income statement for the year by the cash method, under Personnel expenses.

The Balances Plan ("Plan A"): This includes all the active and assisted participants who opted to migrate from the previous Defined-benefit Plan, and are entitled to a benefit proportional to their balances. For active participants this benefit will be given as from the date of retirement.

Defined Benefit Plan: This is the benefit plan adopted by Forluz up to 1998, through which the average real salary of the last three years of activity of the employee in the Sponsor companies is complemented in relation to the amount of the official government Social Security benefit. After the process of migration that was carried out in June 2007, approved by the Private Pension Plans Secretariat (SPC), in which more than 80% of the participants migrated to Plans A and B, 51 participants remained in the defined benefit plan. Of these, seven are active employees, and 44 are retirees or pension holders.

Independently from the plans made available by Forluz, Cemig Distribuição also maintains payments for part of a life insurance premium for retirees, and contributes to a Health Plan for the employees, retirees and dependents, which is administered by Forluz.

Separation of the Health Plan

On August 28, 2008, the Executive Board of Forluz, complying with orders issued by the Private Pension Plans Authority (SPC), decided to transfer management of the Cemig Integrated Health Plan (PSI) to a separate entity to be created for that purpose. The reason for the decision was SPC's belief that it would be impossible to maintain those participants in the Health Plan who were not simultaneously inscribed in the pension and retirement plans. To protect the interests of its participants, and also to comply with the SPC's ruling, Forluz opted to separate the activities, keeping the present dental and pension plans within itself. The period planned for conclusion of the process of separation of the health plan is 12 months, during which time all the existing coverage and benefits will be maintained.

Amortization of actuarial obligations

Part of the actuarial obligation for post-employment benefits in the amount of R$ 747.408 on 30 September 2008 (R$ 751.172 on June 30, 2008), was recognized as an obligation payable by Cemig and its subsidiaries mentioned and is being amortized by June 2024, through monthly installments calculated by the system of constant installments (the so-called "Price" table). On June 2, 2008, the Third Amendment to the Contract of Forluz was signed, to transfer to Plan "A" the debtor balance of the contract relating to the Plan "B". The amounts then began to be adjusted only by the IPCA Inflation Index (Amplified National Consumer Price Index) of the Brazilian Geography and Statistics Institute (IBGE) plus 6% per year.

As specified by contract, any technical surpluses that Forluz may present for a period of three consecutive years may be used to reduce part of the obligations payable.

In accordance with the rule in the previous paragraph, R$ 68,815 of the surplus obtained in 2007 was used to amortize the debtor balance of the debt recognized in August 2008.

The liabilities and the expenses recognized by the Company in connection with the Supplementary Retirement Plan, the Health Plan and the Life Insurance Plan are adjusted in accordance with the terms of CVM Decision 371 and the Opinion prepared by independent actuaries. As a result the financial updating, and use of the surplus for amortization of the obligation in the debt agreed with Forluz, mentioned in the previous paragraphs, produce no accounting effect in the profit of Cemig Distribuição. The most recent actuarial valuation was made in relation to the base date December 31, 2007.

The movement in the net liabilities has been as follows:

	Pension plans and supplementary retirement plans	Health plans	Dental plan	Life insurance	Total
Net liabilities on June 30, 2008	328,847	235,516	10,614	304,830	879,807
Expense recognized in the income statement	18,479	10,732	475	7,483	37,169
Contributions paid	(17,145)	(5,121)	(126)	(1,526)	(23,918)
Net liabilities on September 30, 2008	**330,181**	**241,127**	**10,963**	**310,787**	**893,058**
Current liabilities	51,768	-	-	-	51,768
Non-current liabilities	278,413	241,127	10,963	310,787	841,290

18) – CONTINGENCY PROVISIONS

The company makes contingency provisions for lawsuits in which the chance of loss is rated "probable". On this basis the amount of R$ 62,484, an increase of R$ 4,519 from the previous quarter, was provisioned on September 30, 2008 as follows:

	Balance on 06/30/2008	Additions or reversal of provisions	Balance on 09/30/2008
Labor-law contingencies			
Various	5,682	163	5,845
Civil			
Personal damages	7,143	181	7,324
Tariff increases	959	39	998
Others	3,440	1,683	5,123
Regulatory			
Aneel administrative proceedings	40,741	2,453	43,194
Total	**57,965**	**4,519**	**62,484**

On January 9, 2007 Aneel notified Cemig Distribuição S.A. that it considered certain criteria adopted by the company in calculation of the revenue from the subsidy for low-income consumers to be incorrect, questioning the criteria for identification of the consumers that should receive the benefit and also the calculation of the difference to be reimbursed by Eletrobrás, in the estimated amount of R$ 143,000. The company has made a provision corresponding to the loss that it considers probable in this dispute, in the amount of R$ 43,194.

Cases with chance of loss assessed as "possible"

Additionally there are regulatory, civil and tax cases in progress, in which the chance of loss is rated as "possible", which are periodically re-assessed, and which do not require constitution of a provision in the financial statements. These are described below:

ICMS – Low-income consumers

Since 2002 the company has received subsidy payments from Eletrobrás in relation to the discounts given to low-income consumers. The Minas Gerais State office of the Federal Tax Authority served an infringement notice on Cemig Distribuição, on the argument that the subsidy should be subject to the ICMS tax. The potential for loss in this action is R$ 129,204, not including any ICMS tax that might be claimed by the tax office relating to the period subsequent to the infringement notice. No provision was constituted for the result of this dispute, since the company believes the legal obligation is non-existent and that it has arguments on the merit for defense against this demand. The chances of a loss attributed to this action are assessed as "possible".

Social Security and tax obligations – indemnity for the "Anuênio"

Cemig Distribuição paid an indemnity to the employees in the amount of R$ 127,058, in exchange for the rights to future payments, known as the "Anuênio", which were otherwise to have been incorporated into salaries in the future. The company did not make the payments of income tax and social security contribution because it considered that such obligations do not apply 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 orders of mandamus to allow payment into Court of the amount of any obligations, in the amount of R$ 87,268, posted in Deposits for legal actions. No provision was made for possible losses and the company classifies its chances of loss in this case as "possible".

Distribuição S.A.

Contingencies of the holding company

Cemig, the controlling company of Cemig Distribuição, is fighting court actions for which it assesses the expectation of loss as “possible” or “remote”. A negative ruling on these lawsuits could affect the businesses of Cemig Distribuição. The main actions that have this characteristic are described below:

- Several consumers and the Public Prosecutor of the State of Minas Gerais brought civil actions against Cemig contesting tariff adjustments applied in previous years, including the Extraordinary Tariff Recomposition and the inflation index used to increase the electricity tariff in April 2003. The litigants request reimbursement of 200% of such disputed amounts as are considered by the court to have been changed erroneously by the company. The company believes it has arguments on the merit for a legal defense and thus has not made a provision for these actions.

- The company is Defendant in actions challenging the criteria for measurement of the amounts to be charged for the pubic illumination contribution, in the total amount of R$ 700,022. The Company believes that it has arguments on the merit for defense in this dispute and as a result has not constituted provision for this action. Expectation of loss in this action is classified as "possible".

19) – STOCKHOLDERS’ EQUITY

At September 30, 2008, Cemig Distribuição has registered capital of R$ 2,261,998, represented by 2,261,997,787 nominal common shares, without par value, wholly owned by Cemig.

Changes in Stockholders’ equity:

At June 30, 2008	2,853,732
Interest on Equity paid	(38,417)
Net profit in the quarter	178,761
At September 30, 2008	**2,994,076**

The Board of Directors of Cemig, in a meeting held on September 23, 2008, approved payment of Interest on Equity, in substitution of the obligatory dividends for the 2008 business year, in the amount of R$ 38.417, with date of payment yet to be decided.

20) – GROSS SUPPLY OF ELECTRICITY, AND REVENUE FOR USE OF THE NETWORK – CAPTIVE CONSUMERS

This supply, by type of consumer, is as follows:

	(Not reviewed by independent auditors)					
	Number of consumers		MWh		R$ '000	
	09/30/2008	09/30/2007	09/30/2008	09/30/2007	09/30/2008	09/30/2007
Residential	5,381,275	5,161,699	5,341,749	5,114,484	2,619,448	2,657,739
Industrial	74,962	72,749	4,058,446	3,592,955	1,313,371	1,091,765
Commercial, services and others	575,356	558,080	3,233,321	3,012,559	1,436,369	1,379,589
Rural	486,369	552,071	1,670,216	1,559,068	426,390	427,506
Public authorities	53,572	51,327	518,465	469,243	222,968	209,223
Public illumination	2,820	2,476	786,381	780,250	202,770	211,665
Public service	8,311	7,754	800,192	785,727	223,279	219,547
Sub-total	6,582,665	6,406,156	16,408,770	15,314,286	6,444,595	6,197,034
Own consumption	845	827	26,092	25,281	-	-
Subvention for low-income consumers	-	-	-	-	56,640	72,204
Uninvoiced supply – regulatory asset	-	-	-	-	26,198	-
Retail supply not invoiced, net	-	-	-	-	(32,316)	(15,797)
Transactions in energy on the CCEE	6,583,510	6,406,983	16,434,862	15,339,567	6,495,117	6,253,441
Total	-	-	-	-	4,224	16,290
Residential	**6,583,510**	**6,406,983**	**16,434,862**	**15,339,567**	**6,499,341**	**6,269,731**

Low-income consumers

Until April 2008, the federal government, through Eletrobrás (*Centrais Elétricas Brasileiras*) reimbursed the distributors for losses in revenue, arising as a result of the criteria adopted as from 2002 for classification of consumers in the low-rental residential sub-category, in view of the lower tariff applied to their electricity bills.

The regulator, Aneel, is reviewing the procedures for calculation by the Company of revenue relating to the subsidy for low-income consumers. As a result of this review, payment for the amounts relating to the period from February 2007 through December 2007 is pending.

Aneel included in the tariff review of April 2008 the amounts to be reimbursed to the company for the subsidy for low-income consumers as from that date.

21) REVENUE FOR USE OF THE NETWORK – FREE CONSUMERS

Starting in January 2005, a significant part of large industrial consumers became "Free Consumers", and electricity is now sold to them via Cemig Geração e Transmissão. With this change, the charges for use of the distribution network (the "TUSD") of these Free Consumers began to be charged separately by Cemig Distribuição, and posted in the line Revenue for use of the network.

22) – OTHER OPERATIONAL REVENUES

	09/30/2008	09/30/2007
Charged service	9,708	9,523
Other provisions of services	14,002	11,059
Rental and leasing	33,152	29,669
Others	220	232
	57,082	**50,483**

CEMIG Distribuição S.A.

23) – DEDUCTIONS FROM OPERATIONAL REVENUE

	09/30/2008	09/30/2007
Taxes on revenue		
ICMS tax	1,612,793	1,589,263
Cofins tax	623,517	637,021
PIS and Pasep taxes	142,379	150,689
ISS value-added tax on services	291	227
	2,378,980	2,377,200
Charges passed through to the consumer		
RGR – Global Reversion Reserve	53,431	50,502
Energy Efficiency Program – PEE	24,543	20,487
Energy Development Account – CDE	222,698	227,664
CCC (fuel consumption) account	240,229	231,300
Research and Development – R&D	9,817	10,191
National Scientific and Technological Development Fund (FNDCT)	9,353	9,526
Energy System Expansion Research	3,784	11,036
	563,855	560,706
	2,942,835	**2,937,906**

Cemig Distribuição pays ICMS tax applicable to the RTE and Portion A in conformity with the invoicing of amounts on the customer's electricity bill.

24) – OPERATIONAL COSTS AND EXPENSES

	09/30/2008	09/30/2007 Reclassified
Personnel expenses	553,600	465,352
Post-employment obligations (Note 17)	111,506	55,178
Materials	57,438	50,356
Outsourced services	311,874	266,063
Electricity purchased for resale	1,785,448	1,574,176
Depreciation and amortization	271,228	304,570
Operational provisions	62,077	99,559
Charges for the use of the basic transmission grid	345,748	337,885
Other expenses, net	117,754	119,547
	3,616,673	**3,272,686**

a) PERSONNEL EXPENSES	09/30/2008	09/30/2007
Remuneration and salary-related charges and expenses	520,525	475,261
Supplementary pension contributions – Defined Contribution plan	31,951	33,951
Assistance benefits	65,871	61,514
	618,347	570,726
(-) Personnel costs transferred to works in progress	(93,147)	(105,374)
The Voluntary Dismissal Program (PPD)	28,400	-
	553,600	**465,352**

The Voluntary Dismissal Program (PPD)

On March 11, 2008, the Executive Board approved the permanent Voluntary Dismissal Program (PPD), which applies to any free and spontaneous terminations of employment contracts as from that date. The program's financial incentives include payment of 3 month's gross remuneration, 6 months' contribution to the health insurance plan after severance of the employment contract, deposit of the "penalty payment" of 40% of the amount due under the FGTS retirement plan, and payment of up to 24 months' contributions to the Pension Fund and the INSS after severance, in accordance with certain criteria.

For employees aged 55 who have contributed for 35 years (men) or 30 years (women), the financial incentives of the program are only available if they subscribe within 90 days after the date of meeting these time and contribution criteria.

On September 30, 2008 a total of 287 employees had subscribed to the PPD, and a provision of R$ 28,400 had been made for the financial incentive payments.

b) OUTSOURCED SERVICES	**09/30/2008**	**09/30/2007**
Collection/meter reading/bill delivery agents	79,914	74,440
Communication	35,267	25,288
Maintenance and conservation of electricity facilities and equipment	52,277	44,213
Building conservation and cleaning	14,351	13,162
Contracted labor	23,000	12,377
Freight and airfares	3,473	2,900
Accommodation and meals	9,924	8,517
Security services	3,678	3,518
Consultancy	6,197	3,639
Maintenance and conservation of furniture and utensils	18,731	16,346
Maintenance and conservation of vehicles	12,120	10,438
Disconnection and reconnection	15,798	18,842
Others	37,144	32,383
	311,874	**266,063**

c) ELECTRICITY BOUGHT FOR RESALE	**09/30/2008**	**09/30/2007**
From Itaipu Binacional	582,659	735,959
Short-term energy	183,850	32,491
‘Initial Contracts’	156,306	102,174
Reimbursement of CVA – “Initial Contracts”	200	11,573
Energy acquired at auction	651,669	638,700
Proinfa	98,845	53,279
Amounts received in Portion “A” (Note 6)	111,919	-
	1,785,448	**1,574,176**

d) OPERATIONAL PROVISIONS	**09/30/2008**	**09/30/2007**
Retirement premium (reversal)	(1,689)	(1,933)
Provision for doubtful receivables	47,419	68,507
Labor-law contingencies	2,961	1,578
Reversal of Aneel administrative proceedings	6,854	30,000
Others	6,532	1,407
	62,077	**99,559**

e) OTHER OPERATIONAL EXPENSES, NET	**09/30/2008**	**09/30/2007**
Leasings and rentals	19,229	20,952
Advertising	20,246	17,238
Own consumption of electricity	11,512	12,410
Subventions and donations	19,165	15,462
Aneel inspection charge	18,838	17,933
Taxes and charges (IPTU, IPVA and others)	8,614	7,945
Licensing charge – TFDR*	24,101	22,517
Royalties for use of water resources	4,929	2,806
Contribution to the MAE	1,266	1,194
Insurance	1,471	1,237
Other expenses (Recovery of expenses)	(11,617)	(147)
	117,754	**119,547**

***** TFDR = License charge for use or occupation of land neighboring highways.

25) – NET FINANCIAL REVENUES (EXPENSES)

	09/30/2008	09/30/2007 Reclassified
FINANCIAL REVENUES		
Revenue from cash investments	62,070	33,371
Arrears penalty payments on electricity bills	101,122	80,336
Monetary variation of CVA	22,244	29,476
Monetary variation – General Agreement for the Electricity Sector	65,582	203,412
Monetary variation – Deferred Tariff Adjustment	68,576	103,262
FX variations	20,422	74,482
Adjustment to present value	5,341	-
Pasep and Cofins taxes on financial revenues	(6,760)	(11,169)
Others	28,567	38,498
	367,164	**551,668**
FINANCIAL EXPENSES		
Charges on loans and financings	(206,385)	(207,345)
Monetary variation – General Agreement for the Electricity Sector	(2,460)	(123,942)
Monetary variation of CVA	(23,245)	(30,496)
FX variations	(39,915)	(10,647)
Monetary variation – loans and financings	(55,604)	(18,729)
CPMF TAX	(3,011)	(35,414)
Losses on financial instruments (Note 27)	(5,141)	(68,155)
Provision for losses in the recovery of RTE amounts	(1,470)	(10,600)
Adjustment to present value	(18,141)	-
Others	(24,400)	(25,644)
	(379,772)	**(530,972)**
NET FINANCIAL REVENUES (EXPENSES)	**(12,608)**	**20,696**

Pasep and Cofins expenses apply on the financial revenue arising on regulatory assets, and these are realized through electricity invoices.

Financial charges on loans and financings linked to works at September 30, 2008, in the amount of R$ 2,733, were transferred to Fixed assets. No monetary updating nor FX variation was capitalized in the period.

26) – RELATED PARTY TRANSACTIONS

The principal balances and transactions with related parties of Cemig Distribuição are:

	ATIVO		LIABILITIES		REVENUES		EXPENSES	
COMPANIES	**09/30/2008**	**06/30/2008**	**09/30/2008**	**06/30/2008**	**09/30/2008**	**09/30/2007**	**09/30/2008**	**09/30/2007**
Cemig								
Affiliated companies / parent company	9,860	4,087	12,775	4,899	-	-	-	-
Interest on Equity and dividends	-	-	492,226	465,888	-	-		(112,207)
Accumulated profit (loss)	-	-	(113,529)	(75,111)	-	-		-
Cemig Geração e Transmissão S.A.								
Affiliated companies / parent company								
Electricity purchased for resale (1)	12,945	1,389	7,019	7,005	-	-	-	-
Others	17,262	3,616	21,070	13,711	17,282	-	(63,510)	(52,480)
Light					-	-		-
Energy bought for resale (1)								
Minas Gerais state government								
Consumers and traders	-	-	2	179	-	-	(378)	(16,323)
Taxes, charges and contributions – ICMS								
ICMS tax to be offset								
Consumers and traders (2)	2,626	1,936	-	-	-	47,663		-
Forluz	117,968	102,902	234,372	238,489	(1,612,793)	(1,589,263)		-
Post-employment obligations – current (3)	47,677	39,785	-	-	-	-		-
Post-employment obligations – non-current (3)	29,436	31,889	-	-	-	-		-
Others								
Personnel								
Current administration expense	-	-	51,768	55,533	-	-	(111,506)	(55,178)
Others	-	-	841,290	824,274	-	-		-
Personnel expenses	-	-	12,400	11,702	-	-		-
Current administrative costs	-	-	-	-	-	-	(31,951)	(33,951)
	-	-	-	-	-	-	(6,298)	(6,842)
Others								
Affiliated / Subsidiary or parent companies								
Personnel expenses	530	517	-	-	-	-	-	-

The following are the main conditions in relation to business with related parties:

(1) The company has electricity purchase contracts with Cemig Geração e Transmissão and Light Energia, arising from the public auction of electricity held in 2005, with period of 8 years from start of supply.

(2) A substantial part of the amount refers to renegotiation of the debit originating from the sale of electricity to Copasa, with payment scheduled up to September 2012, and financial updating by the IGP-M index + 0.5% p.m.

(3) Part of the contracts of Forluz are updated by the IPCA (Expanded Consumer Price Index) published by the IBGE (Brazilian Geography and Statistics Institute). (See Explanatory Note 17).

For more information on the main transactions, see Explanatory Notes 4, 8, 14, 15, 17, 19, 23 and 24.

27) – FX EXPOSURE AND FINANCIAL INSTRUMENTS

Cemig and its subsidiaries are exposed to the risk of increase in exchange rates, especially of the US dollar against the real, with a significant effect on indebtedness, profit and cash flow. For the purpose of reducing Cemig Distribuição's exposure to increases in the exchange rates, the Company, on September 30, 2008, had contracted swap transactions, which are described in more detail in item b.

a) Exchange rate risk

The net exposure to exchange rates is as follows:

EXPOSURE TO EXCHANGE RATES	09/30/2008	06/30/2008
US dollar		
Loans and financings	247,315	202,602
(-) Contracted hedge/swap transactions	(109,670)	(91,200)
	137,645	111,402
Euro	15,268	14,051
Net liability exposed	**152,913**	**125,453**

b) Financial Instruments

Financial instruments used by Cemig Distribuiçao are restricted to: cash and cash equivalents, consumers and traders, amounts receivable from the Minas Gerais State Government, loans and financings, and debentures. The gains and losses obtained on the transactions are registered in full by the accrual method.

The derivative instruments contracted by the company have the purpose of protecting the company's operations against the risks arising from foreign exchange variation and are not used for speculative purposes.

The Company has a Financial Risks Management Committee, with the aim of implementing guidelines and monitoring the financial risk of transactions which might negatively affect the Company's liquidity and profitability, recommending strategies for protection (hedge) in relation to foreign exchange, interest rate and inflation risks.

The principal amounts of the transactions and derivatives are not posted in the balance sheet, since they refer to transactions which do not require payments of cash, but only the gains or losses that actually occur. The net results of these transactions represented losses on September 30, 2008 and 2007, of R$ 5,141 and R$ 68,155, respectively. These are posted in Financial revenue (expenses).

Unrealized gains and losses on transactions in derivative instruments are recognized by the accrual method, which can generate differences when compared with the estimated market value of such instruments. This difference arises from the fact that market value includes recognition at present value of future gains or losses to be incurred on the transactions, in accordance with the expectation of the market at the moment at which the market value is ascertained.

The table below shows the derivative instruments contracted by the Company, the unrealized gains or losses recorded, and the respective estimate of market value of these instruments on September 30, 2008:

Receivable by Cemig Distribuição	Payable by Cemig Distribuição	Period of maturity	Principal value contracted(*)	Unrealized loss				Accumulated effect
				Accounting value		Fair value		Value paid
				09/30/2008	06/30/2008	09/30/2008	06/30/2008	09/30/2008
US$ + rate (5.58% p.a. to 7.14% p.a.)	In R$: 100% of CDI. + rate (1.5% p.a. to 3.01% p.a.)	From 10/2008 to 06/2013	US$57,290	(100,973)	(118,761)	(114,800)	(128,618)	(12,344)

(*) Main value contracted (in thousands) for 09/30/2008 and 06/30/2008

The estimated fair value for the derivatives was calculated based on their present value, through use of the market curves that affect the instruments on the dates of ascertaining these amounts.

Sensitivity analysis (this information has not been reviewed by the independent auditors)

The derivative instrument described above shows that the Company is exposed to the variation in the CDI rate. The Company estimates that the CDI rate at the end of 2008 will be 13.75%, which will represent an expense in the income statement in the amount of R$ 3,590. In the possible, and remote, scenarios of a CDI rate of 17.19%, and 20.63%, respectively, at the end of 2008, the effects on the income statement would be (respectively) R$ 4,436 and R$ 5,264.

28) – THE TARIFF REVIEW

On April 7, 2008 Aneel published the result of the Second Tariff Review of Cemig Distribuição. The average impact perceived by consumers will be a reduction of 12.24% in their electricity invoices as from April 8, 2008. The rate adjustment is in fact different for different types of consumer. as an example, residential consumers had a reduction of 17.11% on their energy bills, while high-voltage consumers had a reduction of 8.02%.

The result of the Review is in the context of the current regulations, which require that the productivity gains that result from reduction of costs achieved in previous years of the tariff cycle should be passed through to consumers.

The Tariff charged to Free Consumers for use of the Distribution System (TUSD) was increased by 2.01%, mainly reflecting the increase of 3.25% for consumers connected at 138kV.

It should also be noted that as from the 2nd tariff review cycle of the Company, that is to say April 8, 2008, the “Special Obligations” have begun to be amortized, with the credit being posted in the income statement, using the average rate of depreciation of the assets which gave rise to them. According to the Company’s estimate, the positive amount to be posted to the income statement in relation to this depreciation for 2008 is approximately R$ 88,000.

CEMIG
Distribuição S.A.

29) – STATEMENT OF CASH FLOWS

	30/09/2008	30/09/2007
FROM OPERATIONS		
Net profit (loss) for the period	666.037	706.470
Expenses (revenues) not affecting cash		
Depreciation and amortization	271.228	304.570
Write-off of fixed assets, net	15.729	16.639
Interest and monetary variations – non-current	29.850	(219.255)
Deferred income tax and Social Contribution	(85.698)	(87.224)
Provisions (reversals) for operational losses	15.955	99.559
Provision for RTE - Rationing Bonus and Costs	1.470	10.600
Provision for losses on financial instruments	5.141	68.155
Post-employment obligations	111.506	55.178
	1.031.218	954.692
Reduction (increase) in assets		
Consumers and traders	70.235	(74.199)
Extraordinary Tariff Recomposition - short term	228.974	215.802
Taxes subject to offsetting	(330.900)	(550.313)
Transport of energy	19.713	(82.717)
Deferred tariff adjustment	284.896	388.132
PIS and Cofins taxes	69.887	113.063
Other current assets	(78.579)	(29.405)
Payments into Court	(39.112)	(8.122)
CVA anticipated expenses	(169.206)	(210.093)
Tax credits	110.876	(141.536)
Others	(4.243)	(21.286)
	162.541	(400.674)
Increase (reduction) in liabilities		
Suppliers	(22.321)	(138.405)
Taxes and Social Contribution	243.853	539.650
Salaries and mandatory charges on payroll	(10.243)	18.607
Charges passed through to consumer	41.895	(28.511)
Loans and financings	32.279	(11.792)
Post-employment obligations	(107.373)	(116.881)
CVA	(69.543)	330.710
Losses on financial instruments	(12.344)	(11.499)
Others	(15.691)	(2.304)
	80.512	579.575
CASH GENERATED BY OPERATIONS	1.274.271	1.133.593
FINANCING ACTIVITIES		
Financings obtained	118.485	86.815
Short term loans	-	600.000
Payments of loans and financings	(277.390)	(264.879)
Interest on Equity and dividends	(295.710)	(613.215)
	(454.615)	(191.279)
TOTAL INFLOW OF FUNDS	819.656	942.314
CAPITAL EXPENDITURE		
On investments	(1.295)	(157)
On fixed assets	(544.067)	(676.227)
Special Obligations – consumer contributions	49.662	146.768
	(495.700)	(529.616)
NET CHANGE IN CASH POSITION	**323.956**	**412.698**
STATEMENT OF CHANGE IN CASH POSITION		
At start of period	636.286	214.103
At end of period	960.242	626.801
	323.956	**412.698**

ECONOMIC – FINANCIAL PERFORMANCE

Amounts are in thousands of Reais unless otherwise stated.

Profit in the period

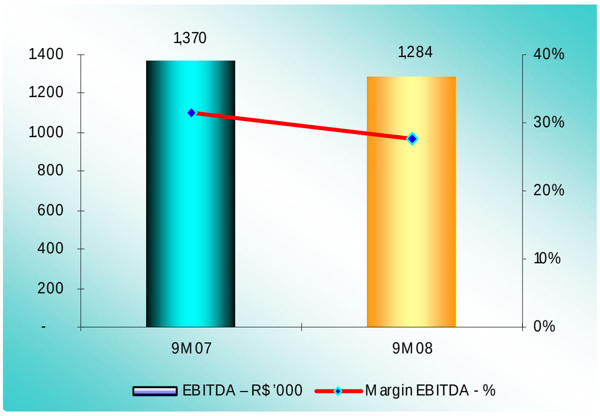
In January through September 2008 (**“9M08”**) Cemig Distribuição reported net profit of R$ 666,037, 5.72% lower than the net profit of R$ 706,470 in January through September 2007 (**“9M07”**). This result is due mainly to the tariff repositioning arising from the tariff review of 2008, the average impact of which on consumers’ tariffs was a reduction of 12.08%, starting from April 8. 2008.

Ebitda (method of calculation not reviewed by external auditors).

Cemig Distribuição reported Ebitda in the first nine months of 2008 (“9M08”) 6.30% lower than in 9M07. Adjusted for non-recurring items, it was 6.50% lower.

As part of the tariff review of Cemig Distribuição, Aneel included in the tariff to be applied as from April 8, 2008 certain financial items relating to previous business years which resulted in the recognition of regulatory assets and liabilities which will be received and/or discounted in the tariff to be received from consumers in the period April 8, 2008 to April 7, 2009. The impact on Ebitda of this non-recurring recognition of the financial items was R$ 58,533, as shown in this table:

EBITDA	09/30/2008	09/30/2007	Change, %
Net profit	666,037	706,470	(5.72)
+ Income tax and Social Contribution	280,039	305,992	(8.48)
+ Profit shares	48,467	47,500	2.04
+ Non-operational revenue (expenses)	5,159	25,949	(80.12)
+ – Financial revenues (expenses)	12,608	(20,696)	(160.92)
+ Amortization and depreciation	271,228	304,570	(10.95)
= EBITDA	**1,283,538**	**1,369,785**	**(6.30)**
Non-recurring items:			
– Tariff review – Net revenue	(62,863)	-	-
+ Tariff review – Operational expense	4,330	-	-
+ Voluntary Dismissal Program (PPD)	28,400	-	-
– Energy – CVA	-	(29,245)	-
= **ADJUSTED EBITDA**	**1,253,405**	**1,340,540**	**(6.50)**



The lower Ebitda in 9M08 than in 9M07 is due principally to the increase of 12.71% in operational expenses (after excluding the effects of depreciation and amortization).

The improved performance in 2008 was reflected in Ebitda margin, which was 27.73% in 9M08 and 31.58% in 9M07.

Gross revenue from supply of electricity

Gross revenue from retail electricity sales was R$ 6,499,341 in January through September 2008, compared to R$ 6,269,731 in January through September of 2007 – an increase of 3.66%.

The main impacts on 2008 revenues came from these factors:

- Tariff repositioning, the average impact of which on consumers' tariffs was a reduction of 12.08%, as from April 8, 2008.
- Tariff readjustment averaging 5.16% on consumer tariffs, starting from April 8, 2007 (full effect in 2008).
- 7.15% increase in volume of energy invoiced to final consumers (this excludes Cemig's own internal consumption).
- Recognition of non-recurring revenue relating to financial items of previous years which were included in the tariff, resulting in the constitution of regulatory assets in the gross amount of R$ 67,194.

Electricity sold to final consumers (MWh)
(Data not audited by independent auditors)

Consumption by consumer category	MWh		
	09/30/2008	09/30/2007	*Chg%*
Residential	5,341,749	5,114,484	4.44
Industrial	4,058,446	3,592,955	12.96
Commercial, services and others	3,233,321	3,012,559	7.33
Rural	1,670,216	1,559,068	7.13
Public authorities	518,465	469,243	10.49
Public illumination	786,381	780,250	0.79
Public service	800,192	785,727	1.84
Total	**16,408,770**	**15,314,286**	**7.15**

The figure 4.44% higher in the residential consumer group was mainly due to the increase of 4.25% in the number of consumers invoiced, and the positive influence of economic variables, related to families' consumption (improvement in the labor market; increase in total real wages; easing of credits to individuals, with lengthening of financing periods; and growth in sales of the retailing sector).

In the commercial consumer group, factors that contributed to the higher revenue in 9M08 than 9M07 included the increase of 3.10% in the number of consumers, better performance of the retailing sector, and the accommodation, restaurants and foods sector, communications services, financial institutions, health and wholesaling.

In the industrial consumer group the improved performance of industry resulted in an increase of 12,96% in consumption by this segment in the captive market. Also, an increase in "captive" retail electricity supply to some partially-free (hybrid) clients, and the 3.04% increase in the number of consumers, affected the growth in the supply of electricity to this category of consumers and consequently to the increase of revenue in 2008.

Revenue from use of the grid

This revenue refers to the Tariff for Use of the Distribution System (TUSD) charged to Free Consumers on energy sold (mainly by Cemig Geração e Transmissão). The CDE expense in January through September 2008 was R$ 1,015,395, which compares with R$ 955,593 in January through September 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 in fact made are compensated for in the subsequent tariff adjustments, and are recorded in Assets and Liabilities as Prepaid expenses.

As from March 2008 the company began to receive, in the tariff, the amounts posted in assets under “Portion A”. Hence the portion of the non-controllable costs which were actually received in the tariff is transferred to Operational expenses, as shown in Explanatory Note 6, Item “b”.

Deductions from operational revenues

The deductions from operational revenues were not significantly different, in 9M08, from those of 9M07. Deductions from operational revenues amounted to R$ 2,942,835 in January through September 2008, compared to R$ 2,937,906 million in 9M07. The principal changes in these expenses are as follows:

Fuel Consumption Account – CCC

The deduction from revenue relating to the CCC was R$ 240,229 in January through September 2008, compared to R$ 231,300 in 9M07, representing a increase of 3.86%. This relates to the operational costs of thermal plants in the Brazilian interconnected and isolated systems, split pro-rata among electricity concession holders by the Aneel Resolution. This is a non-controllable cost; the amount deducted from revenue is passed through to tariffs.

Energy Development Account – CDE

The deduction from revenue relating to the CDE was R$ 222,698 million in January through September 2008, compared to R$ 227,664 in January through September 2007, representing a reduction of 2.18%. The payments are specified by an Aneel Resolution. This is a non-controllable cost; the amount deducted from revenue is passed through to tariffs.

RGR – Global Reversion Reserve

The RGR in 9M08 was a deduction from revenue of R$ 53,431, compared to R$ 50,502 in 9M07 – i.e. 5.80% higher. This was due to the equivalent increase in 2008 in the book value of the fixed assets in service, which is the basis for calculation of this expense for Cemig Distribuição.

The other deductions from revenue are for charges 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)

Operational costs and expenses (including Financial revenue (expenses))) were a net R$ 3,616,673 in 9M08, compared to R$ 3,272,686 in 9M07, i.e. 10.51% higher. This higher figure principally reflected increases of 13.42% in electricity bought for resale and 18.96% in personnel expenses, 17.22% in expenses on outsourced services, and 102.08% in post-employment benefit expenses, partially offset by the reduction of 10.95% in depreciation and amortization expense, and 37.65% in operational provisions.

For further information on the composition of operational costs and expenses, see Explanatory Note 24 to the Quarterly Information.

The principal changes in expenses are:

Personnel expenses

The personnel expense in 9M08 was R$ 553,600, compared to R$ 465,352 in 9M07, an increase of 18.96%. This increase was basically due to the following factors:

- Wage increase of 5.00% given to the employees in November 2007.
- Provision of R$ 28,400 for the Voluntary Retirement Program (PPD) in 9M08.
- Lower transfer of costs from Personnel expenses to Works in progress (R$ 93,147 in 2008, vs. R$ 105,374 in 2007) due to less capital expenditure activity in 2008.

Energy purchased for resale

The expense on electricity purchased for resale was R$ 1,785,448 in 9M08, compared to R$ 1,574,176 in 9M07, an increase of 13.42%. Main factors were:

- Realization (under the RTE) of Portion “A”, constitution of CVA for energy of previous periods.
- 8.03% increase in the average price for purchase of energy starting in 2008.

This is a non-controllable cost; the amount deducted from revenue is passed through to tariffs. Further information is given in Explanatory Note 24 to the Quarterly Information.

Post-employment obligations

The expense on post-employment obligations was R$ 111,506 in 9M08, compared to R$ 55,178 in 9M07, representing an increase of 102.08%. These expenses basically represent interest on the actuarial liabilities of Cemig Distribution, net of the expected return on the plans’ assets, as estimated by an external actuary. The higher expense in 2008 basically results from the reduction, in December 2007, of the actuarial assumptions for interest rates, increasing the value of the actuarial obligations.

Depreciation and amortization

The expense on depreciation and amortization in 9M08, at R$ 271,228, was 10.95% lower than in 9M07 (R$ 304,570). This reflects depreciation of “Special Obligations”, from April 8, 2008, the date of the second-cycle four-year tariff review.

Operational provisions

Operational provisions in 9M08 were R$ 62,077, compared to R$ 99,559 in 9M07, a reduction of 37.65%. This is mainly due to the lower expense on provision for doubtful receivables (R$ 47,419 in 9M08, compared to R$ 68,507 in 9M07), and reduction of the value of lawsuits due to the provision for administrative proceedings by Aneel in the amount of R$ 30,000, constituted in March 2007.

Charges for Use of the Basic Transmission Grid

The expense on charges for use of the transmission grid in 9M08, at R$ 345,748, was 2.33% more than in 9M07 (R$ 337,885). 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; the amount deducted from revenue is passed through to tariffs.

Outsourced services

The expense on outsourced services in 9M08 was R$ 311,874, compared to R$ 266,063 in 9M07, representing an increase of 17.22%, the main increases being in expense on outsourced labor and communication services. The expenses in the line are detailed in Explanatory Note 24 to the Quarterly Information.

Financial revenues (expenses)

In 9M08 this line was a net financial *expense* of R$ 12,608, which compares to net financial *revenue* of R$ 20,696 in 9M07. The main factors in this are:

- Revenue from cash investments R$ 28,699 higher due to the higher volume of cash invested in 2008.

- Revenue from arrears charges on late-paid electricity invoices 25.87% higher, at R$ 101,122 in 9M08, than in 9M07 (R$ 80,336). As well as other delays in payments of electricity bills by clients, which had a significant impact on the change in this line, in the first half of 2008 the Company recognized revenue in the amount of R$ 10,516, relative to accounts received from major industrial consumers for consumption in prior years – the principal amounts of which were considerably less than the amounts added as penalty payments for delay in settlement.

- Revenues from monetary variation on the CVA 24.54% higher, at R$ 22,244 in 9M08, compared to R$ 29,476 in 9M07. This variation is due to part of the regulatory assets previously posted having been amortized.

- Lower revenue from monetary updating on the General Agreement for the Electricity Sector, at R$ 65,582 in 9M08, compared to R$ 203,412 in 9M07 – reflecting the lower value of the regulatory assets in 2008, due to part of the regulatory assets previously posted having been amortized.

- Monetary updating and interest on the Deferred Tariff Adjustment was 33.59% lower, at R$ 68.576, in January through September 2008, than in January through September 2007 (R$ 103,262) – again due to reduction of the principal value of the asset as a result of parts of it being received in electricity accounts. For further details please see Explanatory Note 10 to the Quarterly Information.

- Increase in the expense on monetary correction of loans and financings in Brazilian currency, R$ 55,604 in 2008, compared to R$ 18,729 in 2007. This higher figure reflects variations in the IPCA and IGP-M inflation indices in 9M08. The variation of the IGP-M was 8.47%, compared to 4.07% in 9M07.

- Lower expenses on the CPMF tax due to its being abolished in the intervening year.

- Net loss on FX variations in 9M08, net of offsetting effects of financial instruments, totaled R$ 24,634, in comparison to net loss of R$ 4,320 in January through September 2007, basically arising from loans and financings in foreign currency. This change mainly reflects the appreciation of the US dollar against the Real in 2008. In 9M08 the dollar appreciated by 8.07%, which compares with a depreciation of 13.99% during the same period of 2007. For part of the debt in foreign currency the Company made swap transactions substituting the Brazilian domestic CDI rate for the variation in the indexor of the contracts.

For a breakdown of financial revenues and expenses, see Explanatory Note 25 to the Quarterly Information.

Income tax and Social Contribution

Cemig Distribuição’s expenses on income tax and the Social Contribution in 9M08 was R$ 280,039, on profit of R$ 994,543 before tax effects, a percentage of 28.16%. In 9M07 the company posted expenses on income tax and Social Contribution of R$ 305,992, on profit of R$ 1,059,962, before tax effects, a percentage of 28.87%. These effective rates are reconciled with the nominal rates in Explanatory Note 9 to the Quarterly Information. The Company enjoyed tax benefits as a result of payment of Interest on Equity to stockholders, of R$ 58,106 and R$ 54,395, in 9M08 and 9M07 respectively.

CEMIG Distribuição S.A.

INCOME STATEMENTS FOR THE THIRD QUARTERS OF 2008 AND 2007

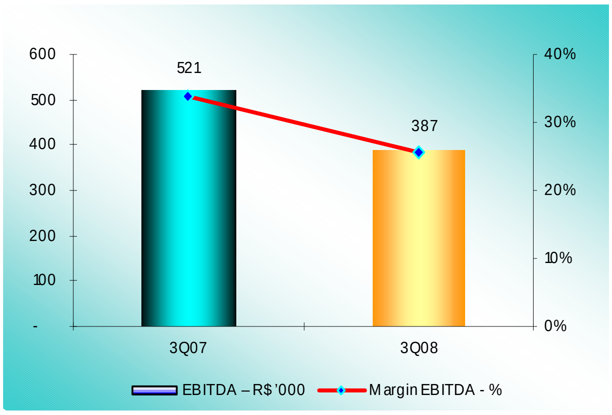
	3Q2008	3Q2007	Change, %
OPERATIONAL REVENUE			
Revenue from wholesale supply of electricity	2,072,062	2,210,887	(6.28)
Revenue from use of the grid	359,570	302,046	19.04
Other operational revenues	19,902	20,407	(2.47)
Gross operational revenue	**2,451,534**	**2,533,340**	**(3.23)**
Deductions from operational revenues	(934,463)	(992,863)	(5.88)
Net operational revenue	**1,517,071**	**1,540,477**	**(1.52)**
OPERATIONAL COSTS AND EXPENSES			
Personnel expenses	(162,347)	(147,635)	9.97
Post-employment obligations – Forluz	(37,169)	(18,392)	102.09
Materials	(16,835)	(16,740)	0.57
Outsourced services	(110,338)	(93,863)	17.55
Electricity purchased for resale	(604,773)	(557,811)	8.42
Depreciation and amortization	(79,427)	(108,828)	(27.02)
Operational provisions	(29,702)	(23,952)	24.01
Charges for the use of the basic transmission grid	(112,448)	(109,989)	2.24
Other expenses, net	(56,403)	(51,553)	9.41
	(1,209,442)	**(1,128,763)**	**7.15**
Profit from the activity	**307,629**	**411,714**	**(25.28)**
NET FINANCIAL REVENUE (EXPENSES)	(35,901)	2,791	(1.386.31)
Operational Profit	**271,728**	**414,505**	**(34.45)**
NON-OPERATIONAL REVENUE (EXPENSES)	**(5,910)**	**(10,793)**	**(45.24)**
Profit before income tax and Social Contribution	**265,818**	**403,712**	**(34.16)**
Income tax and Social Contribution	(70,900)	(117,059)	(39.43)
Profit shares	(16,157)	(15,821)	2.12
Net profit	**178,761**	**270,832**	**(34.00)**

Net profit for the quarter

In the third quarter of 2008 (“**3Q08**”), Cemig reported net profit of R$ 178,761 million, 34.00% lower than the net profit of R$ 270,832 reported for the third quarter of 2007 (“**3Q07”**). This was mainly due to the tariff repositioning arising from the tariff review of 2008, the average impact of which on consumers’ tariffs was a reduction of 12.08%, as from April 8, 2008.

Ebitda (method of calculation not reviewed by external auditors).

EBITDA	3Q08	3Q07	Change, %
Net profit	178,761	270,832	(34.00)
+ Income tax and Social Contribution	70,900	117,059	(39.43)
+ Profit shares	16,157	15,821	2.12
+ Non-operational revenue (expenses)	5,910	10,793	(45.24)
+ / – Financial revenues (expenses)	35,901	(2,791)	(1.386.31)
+ Amortization and depreciation	79,427	108,828	(27.02)
= **EBITDA**	**387,056**	**520,542**	**(25.64)**



The lower Ebitda in 3Q08 than in 3Q07 basically reflects net revenue 1.52% lower, associated with operational costs and expenses 10.79% higher (excluding the effects of depreciation and amortization expenses), consequence of the tariff review of 2008.

Lower operational performance in 3Q08 than in 3Q07 is reflected in Ebitda margin, which was 33.79% in 2007 and 25.51% in 2008.

Gross revenue from supply of electricity

	MWh			R$ '000		
Consumer category	**3Q08**	**3Q07**	**Change, %**	**3Q078**	**3Q07**	**Change, %**
Residential	1,805,999	1,689,906	6,87	790,887	900,438	(12.17)
Industrial	1,495,188	1,191,496	25,49	469,207	396,557	18.32
Commercial, services and others	1,055,230	962,716	9,61	436,444	457,709	(4.65)
Rural	715,490	631,712	13,26	158,458	167,211	(5.23)
Public authorities	174,645	155,487	12,32	70,643	72,794	(2.95)
Public illumination	260,607	255,768	1,89	61,222	72,923	(16.05)
Public service	250,399	267,163	(6,27)	70,199	78,732	(10.84)
Sub-total	**5,757,558**	**5,154,248**	**11,71**	**2,057,060**	**2,146,364**	**(4.16)**
Own consumption	8,202	8,003	2,49	-	-	-
Subsidy for low-income consumers	-	-	-	(6,313)	30,542	(120.67)
Uninvoiced supply – Regulatory asset	-	-	-	(12,609)	-	-
Retail supply not invoiced, net	-	-	-	29,700	17,691	67.88
	5,765,760	**5,162,251**	**11,69**	**2,067,838**	**2,194,597**	**(5.78)**
Transactions in electricity on the CCEE	**-**	**-**	**-**	4,224	16,290	(74.07)
Total	**5,765,760**	**5,162,251**	**11,69**	**2,072,062**	**2,210,887**	**(6.28)**

(*) Information not reviewed by our external auditors.

Gross revenue from supply of electricity in 3Q08 totaled R$ 2,072,062, 6.28% lower than in 3Q07 (R$ 2,210,887).

The main effects on 2008 revenues were from:

- Reduction of consumer tariffs by an average of 12.08%, from April 8, 2008.
- Volume of energy invoiced to final consumers 11.71% higher (this excludes Cemig's own internal consumption).

Revenue from use of the grid

This revenue is from the TUSD, from charges made to *Free Consumers,* on energy sold (principally by Cemig Geração e Transmissão). The total was 19.04% higher, at R$ 359,570, in 3Q08 than in 3Q07 (R$ 302,046), reflecting mainly the increase in demand, and also the average increase of 2.50% in the tariff in 2008.

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 in fact made are compensated for in the subsequent tariff adjustments, and are recorded in Assets and Liabilities as Prepaid expenses.

Deductions from operational revenues

	3Q08	3Q07	Chg%
ICMS tax	510,829	541,103	(5.59)
Cofins tax	184,816	233,066	(20.70)
PIS and Pasep taxes	40,125	56,210	(28.62)
ISS value-added tax on services	119	87	36.78
	735,889	**830,466**	**(11.39)**
RGR – Global Reversion Reserve	20,767	13,897	49.44
Energy Efficiency Program – PEE	7,672	7,666	0.08
Energy Development Account – CDE	73,175	76,374	(4.19)
CCC (Fuel Consumption Account)	89,289	56,671	57.56
Research and Development – R&D	3,068	3,208	(4.36)
National Scientific and Technological Development Fund	3,069	2,543	20.68
Energy System Expansion Research	1,534	2,038	(24.73)
	198,574	**162,397**	**22.28**
	934,463	**992,863**	**(5.88)**

The principal changes in these expenses are as follows:

<u>Fuel Consumption Account – CCC</u>

The deduction from revenue for the CCC in 3Q08 was R$ 89,289, which is 57.56% higher than in 3Q07 (R$ 56,671). This relates to the operational costs of thermal plants in the Brazilian interconnected and isolated systems, split pro-rata among electricity concession holders by the Aneel Resolution. The increase in this cost is mainly due to the realization of Portion “A”, from March 2008. This is a non-controllable cost; the amount deducted from revenue is passed through to tariffs.

<u>RGR – Global Reversion Reserve</u>

The deduction from revenue for the RGR in 3Q08 was R$ 20,767, which was 49.44% higher than the figure for 3Q07 (R$ 13,897).This was due to the realization of Portion “A”, from March 2008 and equivalent increase in 2008 in the book value of the fixed assets in service, which is the basis for calculation of this expense for Cemig Distribuição.

The other deductions from revenue refer to the taxes calculated based on a percentage of billing, thus their variations are directly proportional to the differences in revenue.

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

Operational costs and expenses (excluding Financial revenue (expenses)) totaled R$ 1,209,442 in 3Q08, 7.15% higher than the R$ 1,128,763 million reported for 3Q07. This was mainly due to the increases of: 8.42% in electricity bought for resale; 9.97% in personnel expenses; 17.55% in expenses on outsourced services; and 102.09% in post-employment expenses – partially offset by the reduction of 27.02% in the depreciation and amortization expense.

The principal changes in expenses are:

Personnel expenses

Personnel expenses in 3Q08 were 9.97% higher, at R$ 162,347, than in 3Q07 (R$ 147,635). This reflects mainly the salary increase of 5.00% given to the employees in November 2007.

Energy bought for resale

The expense on this account in 3Q08 was R$ 604,773, 8.42% higher than the figure of R$ 557,811 for this account in 3Q07. Main factors were:

- Realization (under the RTE) of “Portion A”.
- 8.03% increase in the average tariff for purchase of energy, starting in 2008.

This is a non-controllable cost; the amount deducted from revenue is passed through to tariffs.

Depreciation and amortization

The expense on depreciation and amortization in 3Q08 was R$ 79,427, 27.02% higher than in 3Q07 (R$ 108,828). This result arises from the depreciation of “Special Obligations”, from April 8, 2008, the date of the second-cycle four-year tariff review.

Post-employment obligations

The expense on post-employment obligations was R$ 37,169 in 3Q08, compared to R$ 18,392 in 3Q07 – that is to say, 102.09% higher. These expenses basically represent interest on the actuarial liabilities of Cemig Distribuição, net of the expected return on the plans’ assets, as estimated by an external actuary. The higher expense in 2008 basically results from the reduction, in December 2007, of the actuarial assumptions for interest rates, increasing the value of the actuarial obligations.

Outsourced services

Expenses on outsourced services in 3Q08 were R$ 110,338, 17.55% higher than in 3Q07 (R$ 93,863). This mainly reflects the increase in expenses on communication services, especially through the Customer Care Center (CAC). The expenses on communication services were 178.82% higher in 3Q08, at R$ 13,743, compared to R$ 4,929 in 3Q07.

CEMIG Distribuição S.A.

Financial revenues (expenses)

	3Q08	3Q07	Change, %
FINANCIAL REVENUES			
Revenue from cash investments	21,892	13,324	64.31
Arrears penalty payments on electricity bills	22,718	39,415	(42.36)
Monetary variation of CVA	9,384	6,018	55.93
Monetary variation – General Agreement for the Electricity Sector	19,705	37,016	(46.77)
Monetary variation – Deferred Tariff Adjustment	14,372	42,245	(65.98)
FX variations	(6,079)	19,622	-
Pasep and Cofins taxes on financial revenues	(1,548)	(3,534)	(56.20)
Adjustments to present value	5,341	-	-
Others	7,229	3,683	96.28
	93,014	**157,789**	**(41.05)**
FINANCIAL EXPENSES			
Charges on loans and financings	(71,448)	(70,284)	1.66
Monetary variation – General Agreement for the Electricity Sector	-	(17,153)	-
Monetary variation of CVA	(7,900)	(7,470)	5.76
FX variations	(33,874)	(3,022)	1.020.91
Monetary variation – loans and financings	(10,963)	(11,822)	(7.27)
CPMF tax	-	(12,706)	(99.99)
Losses on financial instruments (Note 27)	17,788	(20,594)	(186.37)
Provisions for losses in recovery of Extraordinary Tariff Recomposition amounts	-	(2,737)	-
Adjustment to present value	(13,117)	-	-
Others	(9,401)	(9,210)	2.07
	(128,915)	**(154,998)**	**(16.83)**
	(35,901)	**2,791**	**-**

The main variations from 3Q07 to 3Q08 in Financial revenues (expenses) are:

- Revenue from cash investments R$ 8,568 higher due to the higher volume of cash invested in 2008.
- Lower revenue from monetary updating on the General Agreement for the Electricity Sector: R$ 19,705 in 3Q08, compared to R$ 37,016 in 3Q07 – reflecting the lower value of the regulatory assets in 2008, due to part of the regulatory assets previously posted (RTE and Deferred Tariff Adjustment) having been amortized.
- Reduction of R$ 12,706 in the expense on the CPMF tax as a result of the tax being abolished.
- Recording of the adjustments to present value made in obedience to the requirements of CVM Instruction 469 of May 2, 2008, the net effect of which on Financial revenue (expenses) in the third quarter of 2008 was an expense of R$ 7,776.
- Net loss on FX variations in 3Q08, net of offsetting effects of financial instruments, totaled R$ 22,165, in comparison to net loss of R$ 3,994 in 3Q07, basically arising from loans and financings in foreign currency. This change mainly reflects the appreciation of the US dollar against the Real in 2008. In 3Q08 the dollar appreciated by 20.25%, which compares with a depreciation of 4.53% in 3Q07.

Income tax and Social Contribution

Cemig Distribuição’s expenses on income tax and the Social Contribution in 2008 totaled R$ 70,900, on profit of R$ 265,818 before tax effects, a percentage of 26.67%. Cemig ’s expenses on income tax and the Social Contribution in 3Q07 totaled R$ 117,059, on profit of R$403,712 before tax effects – a percentage of 29.00%.

INDEPENDENT AUDITORS' REVIEW REPORT

To
The Board of Directors
Cemig Distribuição S.A.
Belo Horizonte - MG

1. We have reviewed the Quarterly Financial Information – ITR of Cemig Distribuição S.A. (the Company) for the quarter ended September 30, 2008, comprising the balance sheet, the statements of income and of cash flows, the management report and explanatory notes, which are the responsibility of its management.

2. Our review was conducted in accordance with the specific rules set forth by the IBRACON – The Brazilian Institute of Independent Auditors, in conjunction with the Federal Accounting Council – CFC, and consisted mainly of the following: (a) inquiries and discussions with the persons responsible for the Accounting, Finance and Operational areas of the company as to the main criteria adopted in the preparation of the Quarterly Financial Information – ITR; and (b) reviewing information and subsequent events that have or may have relevant effects on the financial position and operations of the Company.

3. Based on our review, we are not aware of any material modification that should be made in accounting information included in the Quarterly Financial Information – ITR described above, for it to be in accordance with the rules issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Financial Information – ITR, including the Instruction CVM Nº 469/08.

4. As mentioned in Note 2 to the financial information, on December 28, 2007 Law N˚ 11,638 was enacted, and effective from January 1, 2008. This Law modified, amended and introduced new rules to the existing Corporate Law (Law N° 6,404/76) and resulted in changes to certain accounting practices currently adopted in Brazil. Despite the fact that the new Law is already in force, some changes required depend on the issuance of further normatization by local regulators, in order for them to be fully adopted by the companies. Therefore, in this transition phase, through the Instruction CVM Nº 469/08, the Brazilian Securities Commission (CVM) has given the option to the non-application of all the rules of Law N° 11,638/07 in the preparation of Quarterly Financial Information – ITR. As a consequence, the accounting information included in the Quarterly Financial Information – ITR for the quarter ended September 30, 2008, were prepared in accordance with the specific rules set forth by the CVM and does not contemplate all changes to the accounting practices introduced by Law N° 11,638/07.

5. As described in Note 28 to the financial information, as a result of the second periodic tariff review, anticipated in the concession contracts, Aneel published, as provisional, the tariff repositioning of Cemig Distribuição S.A. in -12.24% to be applied in the period as from April 8, 2008. The applicable effects regarding this provisional tariff repositioning were included in the Quarterly Financial Information – ITR for the quarter ended September 30, 2008, as described in mentioned Note. Therefore, the possible effects as a result of the ultimate review, if any, will be reflected in the financial position of the Company in subsequent periods.

November 10, 2008

Original report in Portuguese signed by

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

Marco Túlio Fernandes Ferreira
Accountant CRCMG058176/O-0