CONTENTS

BALANCE SHEETS

AT MARCH 31, 2009 AND DECEMBER 31, 2008

ASSETS

R$ ’000

	03/31/2009	12/31/2008
CURRENT		
Cash and cash equivalents (Note 3)	483,827	442,421
Consumers and traders (Note 4)	1,384,982	1,348,174
Extraordinary Tariff Recomposition, and Portion “A” – (Note 6)	288,427	296,372
Concession holders – transport of energy	350,350	388,914
Taxes subject to offsetting (Note 8)	425,269	342,830
Anticipated expenses – CVA (Note 7)	542,899	722,984
Tax credits (Note 9)	167,574	78,342
Regulatory asset – PIS, Pasep and Cofins (Note 11)	-	46,240
Deferred Tariff Adjustment (Note 10)	14,644	133,423
Deposits linked to legal actions	183,531	203,477
Inventories	23,812	23,410
Others	163,048	162,462
TOTAL, CURRENT	4,028,363	4,189,049
NON-CURRENT		
Non-current financial assets		
Extraordinary Tariff Recomposition, and Portion “A” – (Note 6)	165,296	218,688
Anticipated expenses – CVA (Note 7)	612,396	265,494
Tax credits (Note 9)	203,483	222,051
Regulatory asset – PIS, Pasep and Cofins (Note 11)	46,240	-
Taxes subject to offsetting (Note 8)	57,351	57,351
Deposits linked to legal actions	258,799	212,832
Consumers and traders (Note 4)	10,416	17,380
Receivable from related parties (Note 27)	25,883	23,860
Other credits	27,665	37,009
	1,407,529	1,054,665
Investments	5,552	5,554
Property, plant and equipment (Note 12)	4,157,570	4,135,195
Intangible (Note 13)	224,151	225,919
TOTAL NON-CURRENT ASSETS	5,794,802	5,421,333
TOTAL ASSETS	9,823,165	9,610,382

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

Distribuição S.A.

BALANCE SHEETS

AT MARCH 31, 2009 AND DECEMBER 31, 2008

LIABILITIES

R$ ’000

	03/31/2009	12/31/2008
CURRENT		
Loans and financings (Note 16)	332,840	295,236
Debentures (Note 16)	36,123	20,281
Suppliers (Note 14)	545,397	608,261
Taxes, charges and contributions (Note 15)	453,337	359,651
Interest on Equity and dividends	682,227	682,227
Salaries and mandatory charges on payroll	134,990	195,878
Regulatory charges (Note 17)	286,887	327,073
Profit shares	28,594	85,274
Post-employment obligations (Note 18)	54,580	53,092
Regulatory liabilities – CVA (Note 7)	123,051	452,297
Regulatory liabilities – Tariff Review (Note 21 and 29)	264,626	-
Provision for losses on financial instruments (Note 28)	80,386	79,633
Others	267,490	278,930
TOTAL, CURRENT	3,290,528	3,437,833
NON-CURRENT		
Loans and financings (Note 16)	1,646,730	1,675,007
Debentures (Note 16)	735,467	732,144
Contingency provisions (Note 19)	69,973	67,430
Suppliers (Note 14)	906	693
Post-employment obligations (Note 18)	823,773	833,238
Taxes, charges and contributions (Note 15)	254,321	205,950
Regulatory liabilities – CVA (Note 7)	459,201	156,453
Regulatory charges (Note 17)	15,550	15,495
Other	10,371	10,128
TOTAL NON-CURRENT	4,016,292	3,696,538
STOCKHOLDERS’ EQUITY (Note 20)		
Registered capital	2,261,998	2,261,998
Profit reserves	214,013	214,013
Accumulated losses	40,334	-
STOCKHOLDERS’ EQUITY	2,516,345	2,476,011
TOTAL LIABILITIES	9,823,165	9,610,382

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

INCOME STATEMENTS

FOR THE 3-MONTH PERIODS ENDED MARCH 31, 2009 AND 2008

(In R$ ’000, expect net profit per thousand shares)

	03/31/2009	03/31/2008
OPERATIONAL REVENUE		
Gross supply of electricity (Note 21)	503,565	843,605
Revenue for use of the network – Captive Consumers (Note 21)	1,311,655	1,499,742
Revenue for use of the network – Free Consumers (Note 22)	261,850	315,032
Other operational revenues (Note 23)	19,249	17,555
	2,096,319	2,675,934
DEDUCTIONS FROM OPERATIONAL REVENUE (Note 24)	(910,484)	(1,028,152)
NET OPERATIONAL REVENUE	1,185,835	1,647,782
COST OF ELECTRICITY SERVICE		
COST OF ELECTRICITY		
Energy purchased for resale (Note 25)	(505,711)	(577,738)
Charges for the use of the basic transmission grid (Note 25)	(119,565)	(119,994)
	(625,276)	(697,732)
COST OF OPERATION (Note 25)		
Personnel and managers	(188,234)	(177,085)
Post-employment obligations	(21,370)	(33,813)
Materials	(21,291)	(21,715)
Outsourced services	(94,754)	(89,717)
Depreciation and amortization	(78,544)	(108,169)
Operational provisions	(1,062)	(8,272)
Other	(12,279)	(17,331)
	(417,534)	(456,102)
TOTAL COST	(1,042,810)	(1,153,834)
GROSS PROFIT	143,025	493,948
OPERATIONAL COST (Note 25)		
Selling expenses	(22,164)	(34,679)
General and administrative expenses	(23,852)	(34,216)
Other operational expenses	(11,700)	(7,749)
	(57,716)	(76,644)
PROFIT FROM THE SERVICE (Operational profit before Financial revenues and expenses)	85,309	417,304
NET FINANCIAL REVENUES (EXPENSES) *(nota 26)*	(7,773)	10,541
PROFIT BEFORE TAXATION AND PROFIT SHARES	77,536	427,845
Income tax and Social Contribution (Note 9b)	(117,766)	(174,518)
Income tax and Social Contribution – deferred (Note 9b)	99,289	33,487
Employees’ and managers’ profit shares	(18,725)	(16,155)
NET PROFIT FOR THE PERIOD	40,334	270,659
NET PROFIT PER THOUSAND SHARES, R$	17,83	119,65

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE PERIOD ENDED MARCH 31, 2009

(In Thousand of Reais, expect for dividends and Interest on Equity per thousand shares)

	Registered capital	Profit reserves	Accumulated losses	Total
BALANCE AT DECEMBER 31, 2008	**2,261,998**	**214,013**	**-**	**2,476,011**
Net profit for the period			40,334	40,334
BALANCE AT MARCH 31, 2009	**2,261,998**	**214,013**	**40,334**	**2,516,345**

The Explanatory Notes are an integral part of the financial statements

STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2009 AND 2008
R$ ’000

	03/31/2009	03/31/2008
FROM OPERATIONS		
Net profit for the period	40.334	270.659
Expenses (Revenues) not affecting Cash and cash equivalents		
Depreciation and amortization	81.162	110.515
Write-offs of fixed assets, net	3.000	3.839
Interest and monetary variations – Non-current	(4.485)	(2.597)
Deferred income tax and Social Contribution	(99.289)	(33.487)
Provisions for operational losses	19.586	7.859
Provision for losses on financial instruments	723	1.470
Post-employment obligations	22.939	37.169
	63.970	395.427
(Increase) reduction of assets		
Consumers and traders	(51.440)	12.214
The Extraordinary Tariff Recomposition	66.523	80.346
Taxes subject to offsetting	(82.439)	(86.825)
Transport of energy	38.564	(16.429)
Deferred tariff adjustment	118.779	100.416
PIS and Cofins taxes	-	54.903
Other current assets	18.958	(81.197)
Payments into court	(45.967)	-
Anticipated expenses – CVA	(166.678)	(105.665)
Tax credits	76.996	8.363
Other	14.795	5.721
	(11.909)	(28.153)
Increase (reduction) of liabilities		
Suppliers	(62.864)	(54.219)
Taxes and Social Contribution	93.686	157.188
Salaries and mandatory charges on payroll	(63.639)	(23.224)
Charges passed through to consumer	(40.186)	8.849
Loans and financings	58.284	55.063
Post-employment obligations	(30.916)	(41.400)
Regulatory liabilities – CVA	(26.569)	(1.499)
Regulatory liabilities – Tariff Review	264.626	-
Other	(67.750)	(70.488)
	124.672	30.270
CASH GENERATED BY OPERATIONS	176.733	397.544
FINANCING ACTIVITIES		
Financings obtained		
Short-term loans	-	2.675
Payments of loans and financings	(30.560)	(11.144)
Interest on Equity and dividends	-	(27.741)
	(30.560)	(36.210)
TOTAL INFLOW OF FUNDS	146.173	361.334
CAPITAL EXPENDITURE		
On investments	(127.629)	(41.930)
In fixed assets	22.862	(27.494)
Special Obligations – consumer contributions	(104.767)	(69.424)
NET CHANGE IN CASH POSITION	**41.406**	**291.910**
STATEMENT OF CHANGES IN CASH POSITION		
At start of the year	442.421	636.286
At end of year	483.827	928.196
	41.406	**291.910**

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

EXPLANATORY NOTES TO THE QUARTERLY INFORMATION (ITR)

MARCH 31, 2009

In R$ $ '000, except where otherwise stated.

1) – OPERATIONAL CONTEXT

Cemig Distribuição S.A. ("**Cemig D**", or "**Cemig Distribution**", "the Company" or "Cemig Distribuição") is a Brazilian corporation registered for listing with the Brazilian Securities Commission (CVM), and a wholly-owned subsidiary of Companhia Energética de Minas Gerais – Cemig ("**Cemig**"), created on September 8, 2004 and which started operating on January 1, 2005, as a result of the segregation of Cemig's business activities. Its shares are not traded on any exchange.

Cemig Distribution has a concession area of 567,478 Km^2, approximately 97% of the Brazilian State of Minas Gerais, serving 6,715,193 consumers as of March 31, 2009. (Information not reviewed by our external auditors).

2) – PRESENTATION OF THE QUARTERLY INFORMATION

2.1) Presentation of the Quarterly Information

The quarterly financial statements were prepared according to accounting principles adopted in Brazil, namely: the Brazilian Corporate Law; the Statements, Orientations and Interpretations issued by the Accounting Statements Committee; the 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 National Electricity Agency, Aneel.

The quarterly information has been prepared according to accounting principles, methods and criteria that are uniform in relation to those adopted in the previous business year. In accordance with that, the quarterly information must be read with the financial information of the previous year.

2.2) Change in the Brazilian Corporate Law

Law 11.638/07 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. 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).

Law 11.638/07 and Provisional Measuere 449/08 alters the Law 6.404/76 the aspects related to the Financial Statements.

In the Financial Statement of 2008, the Company has adopet for the first time the changes in the Brazilian Corporete Law made by Law 11.638 aproved on December 28, 2007, with the respective changes made by the Provisional Measure 449 on December 3, 2008.

The effects in the quarterly statement because of the changes in the Corporate Law were basically the financial instruments, and the impact in the net profit of the quarterly ended on March 31, 2008 were in the amount of R$5,565, and those were not adjusted in the quarterly information for comparative because the amounts were imaterial.

3) – CASH AND CASH EQUIVALENTS

	03/31/2009	12/31/2008
Bank accounts	62,530	90,539
Cash investments		
Bank deposit certificates	413,035	343,714
Treasury Financial Notes (LFTs)	3,834	4,090
National Treasury Notes (LTNs)	68	65
Other	4,360	4,013
	421,297	351,882
	483,827	**442,421**

Cash investments consist of transactions carried out with Brazilian financial institutions, contracted on normal market conditions and under normal market rates. They have high liquidity and are promptly convertible into known amounts of cash, not being subject to a significant risk of change in value.

These financial investments are, principally, bank certificates of deposit and fixed income funds, remunerated, substantially, by percentages indexed to variation in the CDI (Interbank Certificate of Deposit) rate, varying between 101% and 103% of that rate.

4) – CONSUMERS AND TRADERS

Consumer type	Balances not yet due	Up to 90 days past due	More than 90 days past due	Total 03/31/2009	Total 12/31/2008
Residential	363,773	122,710	121,076	607,559	541,084
Industrial	110,109	31,208	258,047	399,364	394,659
Commercial, services and others	191,028	36,744	68,561	296,333	289,906
Rural	52,019	12,978	16,736	81,733	99,657
Public authorities	38,178	3,908	39,738	81,824	76,358
Public illumination	39,153	2,434	9,060	50,647	67,973
Public service	50,095	1,081	1,555	52,731	58,837
Subtotal – Consumers	844,355	211,063	514,773	1,570,191	1,528,474
Wholesale supply to other concession holders	988	-	-	988	989
Provision for doubtful receivables	-	-	(186,197)	(186,197)	(181,289)
	845,343	**211,063**	**328,576**	**1,384,982**	**1,348,174**

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, by Ministerial Order 045/86, are recorded in the accounts. The Company expects these amounts to be received in full.

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

Receivables in the amount of R$ 10,416 are recorded in non-current assets (long-term receivables) at March 31, 2009 (R$ 17,380 at December 31, 2008), in relation to the renegotiation of receivables owed by Copasa (Minas Gerais Water Company) and other consumers.

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:

	03/31/2009	12/31/2008
Assets		
Extraordinary Tariff Recomposition, and "Portion A" – Note 6	453,723	515,060
Deferred tariff adjustment – Note 10	14,644	133,423
PIS, Pasep and Cofins taxes – Note 11	46,240	46,240
Pre-paid expenses – CVA – Note 7	1,155,295	988,478
Review of the tariff for use of the distribution network (TUSD)	3,089	3,089
Recovery of discounts on the TUSD	585	8,101
Low-income subsidy (1)	129,454	92,191
Light for Everyone (*Luz para Todos*) Program (1)	981	13,589
TUSD discounts – Source with incentive	-	19,295
TUSD discounts – Self-producers and Independent Producers	-	20,445
Discounts for irrigation enterprises	-	19,514
Other regulatory assets	13,687	3,010
	1,817,698	1,862,435
Liabilities		
Regulatory liabilities – CVA (Note 7)	(582,252)	(608,750)
Review of the tariff for use of the distribution network (TUSD)	(14,444)	(17,519)
Exposure in CCEAR contracts between Sub-markets	(22,285)	-
Financial "bubble" effect corrected by the IGP-M inflation index (pro rata)	(104,458)	-
Financial adjustment relating to 2008 Tariff Review	(160,167)	-
	(5,736)	(2,452)
	(889,342)	(628,721)
Taxes, charges and contributions – Deferred liabilities (Note 15)	(22,055)	(73,428)
	(911,397)	(702,149)
	906,301	**1,160,286**

(1) These items refer to government social programs.

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 which 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 8, 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 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 (“free energy”).

The period of validity of the RTE, of 74 months, expired in February 2008, and the Company made a write-off as a loss, of R$ 93,935 as a result of this period not having been sufficient for receipt of all the assets relating to the losses suffered in the rationing period.

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” was begun in March 2008, shortly after the end of the period of validity of the RTE, using the same mechanisms of recovery, that is to say, the adjustment applied in the tariffs for compensation of the amounts of the RTE continued in force, for compensation of the “Portion A” items.

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 amounts of “Portion A” are received through the tariff, Cemig D transfers those amounts from Assets to the Income statement. The amounts transferred in the first quarter of 2009 are as follows:

Amounts transferred to expenses	03/31/2009
Energy bought for resale	45,408
CCC	20,107
RGR – Global Reversion Reserve	2,009
Tariff for transport of electricity from Itaipu	775
Tariff for use of national grid transmission facilities	5,193
Financial compensation for use of water resources	1,784
Connection – Realization of “Portion A”	110
Electricity service inspection charge	188
	75,574

c) Composition of the balances of “Portion A”

	03/31/2009			12/31/2008
	Principal	Updated by Selic	Total	Total
Compensation for items of “Portion A” (3)	245,299	551,462	796,762	782,525
Amounts raised	-	(343,039)	(343,039)	(267,465)
Total of “Portion A”	**245,299**	**208,423**	**453,723**	**515,060**
Current assets			288,427	296,372
Non-current assets			165,296	218,688

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 12/31/2008	Amounts deferred (1)	Amortization (2)	Monetary updating (3)	Balance on 03/31/2009
Energy bought for resale	110,555	121,050	24,302	2,705	258,612
CCC	60,576	(10,605)	4,312	1,509	55,792
Charge for System Service (ESS)	157,807	3,173	2,645	3,743	167,368
Tariff for transport of electricity from Itaipu	5,372	1,702	801	95	7,970
Tariff for use of national grid transmission facilities	28,157	6,068	7,822	162	42,209
Financial compensation for use of water resources	2,587	-	-	-	2,587
Energy Development Account (CDE)	9,886	8,739	(294)	5	18,336
Alternative Energy Program – Proinfa	4,788	17,112	(1,877)	146	20,169
	379,728	147,239	37,711	8,365	573,043

	03/31/2009	12/31/2008
Current assets	542,899	722,984
Non-current assets	612,396	265,494
Current assets	(123,051)	(452,297)
Non-current liabilities	(459,201)	(156,453)
	573,043	379,728

(1) This refers to the portion of the non-controllable costs that comprise the CVA and which were not included in revenue, and therefore excluded from the income statement.
(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) This refers to the updating by the variation in the Selic rate between the date of payment of the expense and its actual offsetting in the tariff adjustment.

8) – TAXES SUBJECT TO OFFSETTING

	03/31/2009	12/31/2008
Current		
ICMS rebates	122,646	115,275
Income tax	206,139	152,270
Social Contribution	89,008	69,441
Cofins tax	5,776	4,459
Pasep tax	1,251	968
Other	449	417
	425,269	342,830
NON-CURRENT		
ICMS rebates	57,351	57,351
	482,620	**400,181**

The balances of income tax and Social Contribution refer to tax credits in corporate income tax returns of previous years, and payments made in 2009, which will be offset in the Income Tax and Social Contribution payable in 2009, recorded in the line Taxes and contributions.

The credits of ICMS recoverable arise from acquisitions of fixed assets and are offset in 48 months.

9) – TAX CREDITS

Deferred income tax and Social Contribution

The company has tax credits posted in current and non-current assets of income tax, constituted at the rate of 25.00%, and Social Contribution, at the rate of 9.00%, as follows:

	03/31/2009	12/31/2008
Tax credits on temporary differences:		
Post-employment obligations	69,191	70,474
Provision for doubtful receivables	71,168	69,499
Contingency provisions	23,745	22,880
Provision for Pasep/Cofins – Extraordinary Tariff Recomposition	461	4,196
Financial instruments	37,585	37,329
Regulatory liabilities – Tariff Review	87,143	-
FX variation	75,398	74,043
Other	6,366	21,972
	371,057	**300,393**
Current assets	167,574	78,342
Non-current assets	203,483	222,051

At its meeting on February 12, 2009, the Board of Directors approved the technical study prepared by the CFO’s department 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’s Audit Board on February 05, 2009.

As a result of regulatory liabilities from the final outcome of the second tariff revision, the Company recognized a tax credit in the amount of $ 87,143, as mentioned above. Further explanation, see note 29.

In accordance with Cemig D’s estimates, future taxable profits enable the deferred tax asset existing on March 31, 2009 to be realized according to the following estimate:

	03/31/2009
2009	141,174
2010	110,690
2011	27,280
2012	27,280
2013	27,281
2014 to 2016	23,515
2017 and 2018	13,837
	371,057

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:

	03/31/2009	03/31/2008
Profit before income tax and Social Contribution	77,536	427,845
Income tax and Social Contribution – nominal expense	(26,362)	(145,467)
Tax effects applicable to:		
Employees’ profit shares	6,367	5,492
Tax incentive amounts	2,147	-
Non-deductible contributions and donations	(619)	(1,014)
Other	(10)	(42)
Income tax and Social Contribution – effective expense	**(18,477)**	**(141,031)**

c) Transition Taxation Regime:

Provisional Measure 449/2008, of December 3, 2008, instituted the Transition Taxation Regime (RTT), which aims to neutralize the impacts of the new accounting methods and criteria introduced by Law 11.638/07, in calculation of the taxable amounts for federal taxes.

Application of the RTT is optional for the year 2009, and applies to corporate entities subject to Corporate Income Tax (“IRPJ”), in accordance with the two tax reporting methods: real profit or presumed profit. The taxpayer must choose an option to adopt the RTT in the Corporate Tax Return (“DIPJ”) for 2009, this regime being optional for 2009. Starting in 2010, adoption of the RTT becomes obligatory, until the law that disciplines the tax effects of the new accounting methods and criteria comes into effect.

For the companies that adopt the RTT, it has been established that the changes introduced by Law 11638/07, as amended by MP 449/08, which change the criteria for recognition of revenues, costs and expenses computed in calculation of the net profit for the period, do not have effect for the purposes of calculating the real profit of the legal entity, but the accounting methods and criteria in effect on December 31, 2007 are used for tax purposes.

Based on an initial assessment, the Company has reflected in its accounting statements the effects of the adoption of the RTT, and additional studies will be carried out before the delivery of the DIPJ for 2009.

10) – DEFERRED TARIFF ADJUSTMENT

Aneel, through Homologating Resolution 71, published with backdated effect on April 4, 2004, decided the results of the periodic tariff revision of the company.

The average adjustment applied to the company’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 final portion for receipt of the difference between the tariff adjustments was included in the tariff adjustment which took place on April 8, 2008.

The difference between the tariff repositioning to which Cemig D is entitled and the tariff actually charged to consumers was recognized as a regulatory asset.

The amounts relating to the deferred tariff adjustment are updated in monetary terms by the IGP-M Index plus interest of 11.26% per year.

	03/31/2009	12/31/2008
Deferred tariff adjustment – since April 8, 2003	949,612	949,612
Interest (defined by Aneel – 11.26% p.a.)	475,502	447,881
Monetary updating – IGP-M Inflation Index	226,844	201,967
(-) Amounts raised	(1,637,314)	(1,466,037)
	14,644	133,423
Current assets	14,644	133,423

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 criterion defined by Aneel, as a regulatory asset and there was a counterpart reduction in the expense on PIS/Pasep and Cofins taxes.

The Company expects this asset to be recovered in the next forthcoming tariff adjustments.

12) – FIXED ASSETS

a) Total fixed assets

	Historic cost	Accumulated depreciation and amortization	Net value 03/31/2009	Net value 31/12/2009
In service	**10.097.428**	**(4.578.716)**	**5.518.712**	**5.516.197**
- Distribution	9.831.106	(4.393.101)	5.438.005	5.433.580
Lands	17.866	-	17.866	17.865
Buildings, works and improvements	243.097	(128.459)	114.638	116.873
Machines and equipment	9.499.502	(4.217.093)	5.282.409	5.273.573
Vehicles	60.107	(37.278)	22.829	24.990
Furniture and utensils	10.534	(10.271)	263	279
- Management	266.322	(185.615)	80.707	82.617
Lands	950	-	950	950
Buildings, works and improvements	43.515	(26.299)	17.216	17.574
Machines and equipment	173.222	(115.855)	57.367	58.505
Vehicles	28.634	(24.869)	3.765	4.122
Furniture and utensils	20.001	(18.592)	1.409	1.466
In progress	**1.133.750**	-	**1.133.750**	**1.121.057**
- Distribution	1.031.622	-	1.031.622	1.018.043
- Management	102.128	-	102.128	103.014
Total fixed assets	**11.231.**178	**(4.578.716)**	**6.652.462**	**6.637.254**
Special Obligations linked to the concession	(2.610.**109**)	115.217	(2.494.892)	(2.502.059)
Net fixed assets	**8.621.069**	**(4.463.499)**	**4.157.570**	**4.135.195**

Special Obligations refers to the contributions by consumers for execution of the undertakings necessary to comply with requests for retail supply of electricity, and any settlement of these obligations depends on the will of Aneel, at the termination of Distribution concessions, upon reduction of the residual value of the Fixed Asset for the purposes of determining the value that the Concession-granting Power will pay to the concession holder.

Under Aneel Resolution 234 of October 2006, and Aneel Circular 1314/2007 of June 27, 2007, the balances of the “Special Obligations” linked to assets will now be amortized as from the second cycle of tariff reviews, which in the case of Cemig is from April 8, 2008, at a rate yet to be set by Aneel, corresponding to the average rate of the assets in service.

Some land sites and buildings owned by Cemig D 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$ 6,841 on March 31, 2009, net of depreciation (R$ 7,393 on December 31, 2008).

13) – INTANGIBLE

	Historic cost	Accumulated amortization	Net value, 03/31/2009	Net value 12/31/2008
In service	**130.706**	**(80.780)**	**49.926**	**51.279**
- Distribution	11.407	(529)	10.878	10.880
- Management	119.299	(80.251)	39.048	40.399
In progress	**174.225**	-	**174.225**	**174.640**
- Distribution	48.775	-	48.775	47.927
- Management	125.450	-	125.450	126.713
Intangible, net	**304.931**	**(80.780)**	**224.151**	**225.919**

14) – SUPPLIERS

	03/31/2009	12/31/2008
Current		
Wholesale supply and transport of electricity -		
Eletrobrás – energy from Itaipu	182.139	169.196
Furnas	52.014	68.366
CCEE	11.677	67.829
Cemig Geração e Transmissão S.A.	46.686	20.881
CHESF – Cia. Hidroelétrica do São Francisco	25.437	26.226
CESP – Cia. Energética de São Paulo	17.584	16.502
CEEE – Cia. Estadual de Energia Elétrica	13.403	13.501
Other generators and distributors	102.834	60.467
	451.774	442.968
Materials and services	93.623	165.293
	545.397	**608.261**

15) – TAXES, CHARGES AND CONTRIBUTIONS

	03/31/2009	12/31/2008
CURRENT		
Income tax	92.995	-
Social Contribution	34.066	-
ICMS tax	233.911	221.127
Cofins tax	40.301	33.298
Pasep tax	8.744	7.223
Social security system	11.152	11.980
Other	10.112	12.595
	431.281	286.223
Deferred obligations		
Income tax	15.221	44.916
Social Contribution	5.480	16.170
Cofins tax	1.113	10.140
Pasep tax	242	2.202
	22.056	73.428
	453.337	**359.651**
NON-CURRENT		
Cofins tax	115.771	78.053
Pasep tax	25.134	16.946
	140.905	94.999
Deferred obligations		
Income tax	83.394	81.581
Social Contribution	30.022	29.370
	113.416	110.951
	254.321	**205.950**

The current deferred obligations are the regulatory assets and liabilities linked to the General Agreement for the Electricity Sector and other regulatory matters, and are owed as and when these assets and liabilities are realized.

The non-current obligations for Pasep and Cofins taxes refer to the legal action challenging the constitutionality of the inclusion of ICMS tax in the taxable amount for these taxes, and applying for offsetting of the amounts paid in the last 10 years. The Company has obtained an injunction from the judiciary enabling it not to make the payment and authorizing payment into Court starting from 2008.

The non-current deferred obligations for income tax and Social Contribution refer, substantially, to the recognition of financial instruments (FX variation, and hedge transactions) by the cash method, which are payable as and when realized, by payment or redemption, and to the marking to market of financial instruments, and adjustment to present value, implemented by the change in the Corporate Law, to be reversed as and when realized.

16) – LOANS, FINANCINGS AND DEBENTURES

	03/31/2009						12/31/2008
FINANCING SOURCES	**Principal maturity**	**Annual cost (%)**	**Currency**	**Current**	**Non-current**	**Total**	**Total**
FOREIGN CURRENCY							
ABN AMRO Bank - N. (2)	2013	6.00	US$	1,910	115,760	117,670	117,025
ABN AMRO Real S.A. (3)	2009	6.35	US$	3,842	-	3,842	3,772
ABN AMRO Real S.A. (3)	2009	6.35	US$	10,487	-	10,487	10,299
ABN AMRO Real S.A. (3)	2009	6.35	US$	3,380	-	3,380	3,320
Banco do Brasil S.A. – Various bonds (1)	2024	Various	US$	16,853	78,492	95,345	93,868
B.N.P. – Paribas	2010	Libor + 1.875	US$	11,862	5,673	17,535	17,410
KFW	2016	4.50	EURO	2,213	14,213	16,426	17,087
UNIBANCO S.A (4)	2009	6.50	US$	4,817	-	4,817	4,796
UNIBANCO S.A (4)	2009	5.00	US$	11,962	-	11,962	11,927
Debt in foreign currency				**67,326**	**214,138**	**281,464**	**279,504**
BRAZILIAN CURRENCY							
Banco do Brasil S.A	2009	111.00% of CDI	R$	59,099	-	59,099	57,254
Banco do Brasil S.A	2013	CDI + 1.70	R$	2,145	20,001	22,146	21,434
Banco do Brasil S.A	2013	107.60% of CDI	R$	12,108	96,000	108,108	104,835
Banco do Brasil S.A	2014	104.1% of CDI	R$	16,708	300,000	316,708	307,426
Banco Itaú – BBA	2013	CDI + 1.70	R$	13,469	132,434	145,903	141,197
Banco Itaú – BBA	2014	CDI + 1.70	R$	114	3,473	3,587	3,968
Banco Votorantim S.A.	2010	113.50% of CDI	R$	1,000	29,248	30,248	29,283
Banco Votorantim S.A.	2013	CDI + 1.70	R$	2,306	98,214	100,520	99,771
Bradesco S.A.	2013	CDI + 1.70	R$	26,268	240,869	267,137	258,554
Debentures (5)	2014	IGP-M + 10.50	R$	26,557	303,073	329,630	324,641
Debentures (5)	2017	IPCA + 7.96	R$	9,566	432,393	441,959	427,784
Eletrobrás	2023	UFIR + 6.00 to 8.00	R$	42,453	314,593	357,046	369,632
Large consumers	2011	Various	R$	2,800	2,538	5,338	5,301
Santander do Brasil S.A.	2013	CDI + 1.70	R$	1,568	49,958	51,526	50,291
UNIBANCO S.A.	2013	CDI + 1.70	R$	10,977	130,224	141,201	136,647
Banco do Nordeste do Brasil	2010	TR + 7.30	R$	74,368	15,009	89,377	104,950
Other	2010	Various	R$	131	32	163	196
Debt in Brazilian currency				**301,637**	**2,168,059**	**2,469,696**	**2,443,164**
Overall total				**368,963**	**2,382,197**	**2,751,160**	**2,722,668**

(1) Interest rates vary: 2.00 to 8.00% p.a.; 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.; and (4) CDI + 3.01% p.a.
(5) Nominal, unsecured, book-entry debentures not converted into shares, without preference.

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

	2009	2010	2011	2012	2013	2014	2015	2016 em diante	Total
Currency									
US dollar	65,113	45,579	39,906	37,010	34,113	2,586	-	40,731	265,038
Euro	2,213	2,030	2,030	2,030	2,030	2,030	2,031	2,032	16,426
	67,326	**47,609**	**41,936**	**39,040**	**36,143**	**4,616**	**2,031**	**42,763**	**281,464**
Indexors									
IPCA (Expanded Consumer Price Index)	9,566	-	-	-	-	-	144,131	288,262	441,959
IGP-M inflation index	26,557	-	-	-	-	303,073	-	-	329,630
Ufir (Fiscal Reference Unit)	31,875	45,580	47,007	43,526	37,966	37,079	35,923	78,090	357,046
Interbank CD rate - CDI	145,762	197,172	168,793	268,793	364,793	100,870	-	-	1,246,183
TR	55,797	33,580	-	-	-	-	-	-	89,377
Outher	2,898	190	250	592	592	715	264	-	5,501
	272,455	**276,522**	**216,050**	**312,911**	**403,351**	**441,737**	**180,318**	**366,352**	**2,469,696**
	339,781	**324,131**	**257,986**	**351,951**	**439,494**	**446,353**	**182,349**	**409,115**	**2,751,160**

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

Currency	Change in quarter ended 03/31/2009 %	Accumulated change in 2008 %	Indexors	Change in quarter ended 03/31/2009 %	Accumulated change in 2008 %
US dollar	(0.93)	31.94	IGP-M	(0.92)	9.81
Euro	(4.94)	24.13	FINEL	(0.18)	1.90
Yen	(9.51)	62.89	SELIC	2.90	12.48
			CDI	2.85	12.32

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

BALANCES AT DECEMBER 31, 2008	2,722,668
Monetary and FX variation	473
Financial charges provisioned	65,881
Capitalization	1,987
Financial charges paid	(9,289)
Amortization of financings	(30,560)
Balance on 31 March 2009	**2,751,160**

Restrictive covenant clauses

Cemig D has loans and financings with restrictive covenant clauses, which were fully complied with on March 31, 2009.

17) – REGULATORY CHARGES

	03/31/2009	12/31/2008
Global Reversion Reserve – RGR	20,985	20,931
CCC – Fuel Consumption Account	14,703	36,613
Energy Development Account – CDE	28,658	24,288
Eletrobrás – Compulsory loan	1,207	1,207
Aneel inspection charge	2,026	2,026
National Scientific and Technological Development Fund	1,461	19,605
Energy efficiency	150,172	142,074
Research and development	82,494	78,692
Energy system expansion research	731	9,802
Proinfa Alternative Energy Program	-	7,330
	302,437	**342,568**
Current assets	286,887	327,073
Non-current liabilities	15,550	15,495

18) – POST-EMPLOYMENT OBLIGATIONS

The company became one of the sponsors of the Forluz pension fund (Fundação Forluminas de Seguridade Social), a non-profit institution, with a contributing percentage of 72.45%, the figure being decided based on the allocation of employees in the company in December 2004, with the aim of providing to its associates and participants and their dependents a complementary retirement 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:

Mixed Social Security 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, and also on receipt of benefits for time of contribution. The contributions of the Sponsor 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.

Hence the obligations for payment of supplementary pension benefits under the Mixed Plan, with characteristics of defined contribution, and their respective assets, in the amount of R$ 1,723,087, are not presented in this Explanatory Note.

Pension Benefits 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 proportional benefit by balances. In the case of the assets, this benefit was deferred to the retirement date.

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 Social Security benefit. On December 31, 2008, 6 active employees and 45 retirees or pension holders were inscribed in this plan.

Cemig Distribution also maintains, independently of the plans made available by Forluz, payments of part of the life insurance premium for the retirees, and contributes to a health plan for the employees, retirees and dependents, administrated by Forluz.

Amortization of actuarial obligations

Part of the actuarial obligation for post-employment benefits, in the amount of R$ 676,052 on 31 March 2009 (R$ 680,258 on December 31, 2008), was recognized as an obligation payable by the Company 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 with Forluz was signed, to transfer the debtor balance of the contract relating to the Defined Benefit plan to the “A” plan. The amounts then began to be adjusted only by the IPCA Inflation Index (Amplified National Consumer Price Index) published by the Brazilian Geography and Statistics Institute (IBGE) plus 6% per year.

The liabilities and expenses recognized by Light in connection with the Supplementary Retirement Plan, Health Plan and Life Insurance Plan are adjusted in accordance with the terms of CVM Decision CVM 371 and an Opinion prepared by independent actuaries. Thus, the financial updating, and the use of a surplus for amortization of the debt obligation agreed with Forluz, mentioned in the previous paragraphs, did not produce accounting effects in the income statement of Cemig Distribution. The last actuarial valuation was effected in relation to the base date December 31, 2008.

The movement in the net liabilities has been as follows:

	Pension plans and supplementary retirement plans	Health Plan	Dental Plan	Life Insurance	Total
Net liabilities on December 31, 2008	312,900	244,989	11,313	317,128	886,330
Expense (revenue) recognized in the income statement	1,791	13,125	812	7,211	22,939
Contributions paid	(23,034)	(10)	(132)	(7,740)	(30,916)
Net liabilities on March 31, 2009	**291,657**	**258,104**	**11,993**	**316,599**	**878,353**
Current liabilities	54,580	-	-	-	54,580
Non-current liabilities	237,077	258,104	11,993	316,599	823,773

19) – CONTINGENCY PROVISIONS

The company makes contingency provisions for legal actions in which the chance of loss is rated “probable”.

	Balance on 12/31/2008	Additions	Write-offs	Balance on 03/31/2009
Labor-law contingencies				
Various	6,195	1,116	-	7,311
Civil				
Personal damages	7,801	232	-	8,033
Tariff increases	1,410	-	(342)	1,068
Other	8,310	610	-	8,920
Regulatory				
Aneel administrative proceedings	43,714	927	-	44,641
Total	**67,430**	**2,885**	**(342)**	**69,973**

Aneel administrative proceedings

On January 9, 2007, Aneel notified Cemig Distribuição S.A. that it considered certain criteria adopted by the company in calculation of the revenue from the subsidy for low-income consumers to be incorrect, questioning the criteria for identification of the consumers who should receive the benefit and also the calculation of the difference to be reimbursed by Eletrobrás, in the estimated amount of R$ 143,000. The Company has made a provision corresponding to the loss that it considers probable in this dispute, in the amount of R$ 44,641.

Tariff increases

Several industrial consumers filed actions against Cemig, the parent company of Cemig Distribution, seeking reimbursement for the amounts paid as a result of the tariff increase during the federal government's economic stabilization plan known as the "Cruzado Plan" in 1986, alleging that the said increase violated the control of prices instituted by that plan. The Company estimates the amounts to be provisioned based on the disputed billed amounts and based on recent court decisions. The total value of the exposure of Cemig and its subsidiaries in this matter, 100% provisioned, is R$ 95,095.

Legal actions with risk of loss classified as "possible"

Additionally, there are legal actions of a regulatory, civil or tax nature in progress, the chances of loss in which have been estimated as "possible". These are periodically reassessed, and do not require the constitution of a provision in the income statement. They are as follows:

ICMS tax – Low-income consumers

The company receives a subvention from Eletrobrás in relation to the discounts given to low-income consumers. The Minas Gerais State office of the Federal Tax Authority served an infringement notice on Cemig, on the argument that the subsidy should be subject to the ICMS tax (a value added tax charged by states on invoices for services). The potential for loss in this action is R$ 134,515, not including the ICMS tax that might be claimed by the tax authority 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 chance of loss in this action is rated "possible".

Social Security and tax obligations – on the indemnity paid for the "Anuênio".

In 2006 Cemig Distribution 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 would be incorporated into salaries. The company did not withhold (for payment to the government) income tax and social security contribution on these payments because it considered that these obligations are not applicable to amounts paid as indemnity. However, to avoid the risk of a future fine arising from a different interpretation by the federal tax authority and the National Social Security Institution, the company decided to file for orders of mandamus to allow payment into Court of the amount of any obligations, in the amount of R$ 87,268,. These are posted in Deposits connected to legal actions (Payments into Court). No provision was made for possible losses and the company classifies its expectation of loss in this action as "possible".

Contingencies of the Holding Company

Cemig, the controlling company of Cemig Distribution, is fighting court actions for which it rates the chance of loss as "possible" or "remote". A negative ruling on these lawsuits could impact the businesses of Cemig Distribution. The main actions that have this characteristic are described below:

- Several consumers and the Public Prosecutor of the State of Minas Gerais have 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. Reimbursement was claimed for twice such amounts as come to be considered as erroneously charged 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.

- Cemig is defendant in legal proceedings challenging the criteria for measurement of amounts to be charged in relation to the contribution for public illumination, in the total amount of R$ 525,579. 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”.

20) – STOCKHOLDERS’ EQUITY

At March 31, 2009, 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.

21) - GROSS REVENUE FROM RETAIL SUPPLY OF ELECTRICITY, AND REVENUE FOR USE OF THE NETWORK – CAPTIVE CONSUMERS

The breakdown for retail supply of electricity, by type of consumer, is as follows:

	(Not reviewed by independent auditors)					
	Number of consumers		MWh		R$	
	03/31/2009	03/31/2008	03/31/2009	03/31/2008	03/31/2009	03/31/2008
Residential	5,467,018	5,219,135	1,905,496	1,729,761	825,609	931,006
Industrial	74,279	73,664	1,182,634	1,224,837	363,977	402,609
Commercial, services and others	582,886	562,645	1,160,226	1,084,482	464,601	508,427
Rural	524,620	558,176	452,303	453,242	96,113	136,705
Public authorities	54,292	51,994	168,534	152,436	66,039	70,525
Public illumination	2,858	2,597	269,358	259,068	62,728	73,332
Public service	8,404	7,912	260,706	262,152	67,030	74,443
Sub-total	6,714,357	6,476,123	5,399,257	5,165,978	1,946,097	2,197,047
Own consumption	836	827	8,543	8,915	-	-
Subsidy for low-income consumers	-	-	-	-	144,203	41,142
Retail supply not invoiced, net	-	-	-	-	(22,986)	100,085
Effect of the definitive tariff review					(264,625)	-
	6,715,193	6,476,950	5,407,800	5,174,893	1,802,689	2,338,274
Transactions in energy on the CCEE	-	-	-	-	12,531	5,073
Total	**6,715,193**	**6,476,950**	**5,407,800**	**5,174,893**	**1,815,220**	**2,343,347**

22) REVENUE FROM USE OF THE NETWORK – FREE CONSUMERS

Starting in January 2005, a significant proportion of large industrial consumers became “free” consumers, with energy being sold to these consumers via Cemig Geração e Transmissão (“Cemig GT”). As a result the charges related to the use of the distribution network (“TUSD”) of these free consumers started to be charged separately by Cemig Distribution, being recorded in the account line “Revenue for use of the network”.

23) – OTHER OPERATIONAL REVENUES

	03/31/2009	03/31/2008
Charged service	3,498	3,093
Other provisions of services	2,677	4,750
Rental and leasing	12,886	9,709
Other	188	3
	19,249	**17,555**

24) – DEDUCTIONS FROM OPERATIONAL REVENUE

	03/31/2009	03/31/2008
ICMS tax	496,288	557,276
Cofins tax	178,784	242,383
Global Reversion Reserve – RGR	17,517	15,420
PIS and Pasep taxes	38,815	58,130
Energy Efficiency Program – PEE	6,496	8,602
Energy Development Account - CDE	77,529	75,073
Fuel Consumption Account – CCC	88,487	62,594
Research and Development – R&D	2,598	3,441
National Scientific and Technological Development Fund (FNDCT)	2,598	3,441
Energy system expansion research	1,299	1,721
ISS value added tax on services	73	71
	910,484	**1,028,152**

Cemig Distribution pays ICMS applicable to the “Portion A” amounts and the Deferred Tariff Adjustment in conformity with the invoicing of amounts on the customer’s electricity bill.

25) – OPERATIONAL COSTS AND EXPENSES

	03/31/2009	03/31/2008
Personnel expenses	200,966	194,660
Post-employment obligations (Note 18)	22,939	37,169
Materials	20,815	22,024
Outsourced services	105,051	99,953
Energy purchased for resale	505,711	577,738
Depreciation and amortization	81,162	110,515
Operational provisions	15,694	36,652
Charges for the use of the basic transmission grid	119,565	119,994
Other net expenses	28,623	31,773
	1,100,526	**1,230,478**

a) PERSONNEL EXPENSES	03/31/2009	03/31/2008
Remuneration and salary-related charges and expenses	189,244	171,826
Supplementary pension contributions – Defined Contribution Plan	12,590	12,356
Assistance benefits	23,568	22,866
	225,402	207,048
(–) Personnel costs transferred to works in progress	(22,547)	(16,269)
PPD Voluntary Dismissal Program	(1,889)	3,881
	200,966	**194,660**

The Voluntary Dismissal Program (PPD)

The company has a Voluntary Dismissal Program (PPD), which is permanent, and applicable to spontaneous rescissions of employment contracts by employees. Among the principal financial incentives of the program are payment of 3 times the gross amount of monthly remuneration, and 6 months' contributions to the Health Plan after leaving the company, deposit of the 40% "penalty" payment due on the balance of the FGTS upon termination of an employment contract, and payment of up to 24 months' contributions to the Pension Fund and the National Social Security System after termination of the contract, in accordance with certain criteria established in the regulations of the program.

Since this program was put in place in March 2008, 523 employees have subscribed to it. An expense has been recognized for the financial incentives under the program, was recognized in full in the 2008 income statement.

b) OUTSOURCED SERVICES	03/31/2009	03/31/2008
Collection/meter reading/bill delivery agents	27,837	25,137
Communication	6,702	10,775
Maintenance and conservation of electricity facilities and equipment	25,547	19,089
Building conservation and cleaning	5,177	4,328
Contracted labor	4,759	7,111
Freight and airfares	916	722
Accommodation and meals	2,774	2,825
Security services	1,743	693
Consultancy	1,187	1,647
Maintenance and conservation of furniture and utensils	4,974	5,907
Maintenance and conservation of vehicles	4,211	3,408
Disconnection and reconnection	5,353	6,036
Other	13,871	12,275
	105,051	**99,953**

c) ELECTRICITY BOUGHT FOR RESALE	03/31/2009	03/31/2008
From Itaipu Binacional	179,722	198,544
Short-term energy	9,169	52,664
“Bilateral Contracts”	27,056	45,354
Reimbursement of CVA –	-	157
Energy acquired at auction	221,176	217,153
Proinfa supply	23,350	17,846
Proinfa Energy program	(169)	31,274
Amounts received in “Portion A” (Note 7)	45,407	14,746
	505,711	**577,738**

d) OPERATIONAL PROVISIONS	03/31/2009	03/31/2008
Pension plan premiums	(1,481)	21
Provision for doubtful receivables	14,632	28,380
Labor-law contingencies	1,115	2,065
Reversal of Aneel administrative proceedings	926	2,210
Provision (reversal) for civil actions on tariff increases	(342)	3,465
Other	844	511
	15,694	**36,652**

	03/31/2009	03/31/2008
e) OTHER OPERATIONAL EXPENSES, NET	5,682	5,262
Leasing and rentals	2,835	8,801
Advertising	3,424	4,645
Own consumption of electricity	3,287	3,428
Subventions and donations	6,266	6,285
Aneel inspection charge	4,603	4,641
Taxes and charges (IPTU, IPVA and others)	1,783	1,048
Financial compensation for use of water resources	515	419
Contribution to the MAE	(615)	608
Insurance	843	(3,362)
	28,623	**31,773**

26) – NET FINANCIAL REVENUES (EXPENSES)

	03/31/2009	03/31/2008
FINANCIAL REVENUES		
Revenue from cash investments	10,180	18,040
Arrears penalty payments on electricity bills	22,578	43,048
Monetary variation of CVA	10,201	5,221
Monetary variation – General Agreement for the Electricity Sector	14,235	27,337
Monetary variation – Deferred Tariff Adjustment	1,777	25,897
FX variations	10,053	1,182
Pasep and Cofins taxes on financial revenues	(164)	(2,594)
Other	9,798	7,816
	78,658	**125,947**
FINANCIAL EXPENSES		
Charges on loans and financings	(67,327)	(64,368)
Monetary variation – General Agreement for the Electricity Sector	-	(6,814)
Monetary variation of CVA	(1,835)	(4,806)
FX variations	(2,639)	(2,533)
Monetary variation – loans and financings	(3,737)	(19,190)
CPMF tax	-	(3,024)
Losses on financial instruments (Note 29)	(753)	(7,291)
Provision for losses in the recovery of RTE amounts – Updating	-	(1,470)
Other	(10,140)	(5,910)
	(86,431)	**(115,406)**
NET FINANCIAL REVENUES (EXPENSES)	**(7,773)**	**10,541**

The Pasep and Cofins tax expenses are applicable to the financial revenues on the regulatory assets, which are realized through invoicing of electricity.

27) – RELATED PARTY TRANSACTIONS

As mentioned in Explanatory Note 1, the Company is a wholly-owned subsidiary of Companhia Energética de Minas Gerais – Cemig, of which the controlling stockholder is the Government of the State of Minas Gerais. Cemig Geração e Transmissão ("Cemig GT") and Light are also subsidiaries of Cemig.

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

	ASSETS		LIABILITIES		REVENUES		EXPENSES	
COMPANIES	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009	03/31/2008	03/31/2009	03/31/2008
CEMIG								
Affiliated companies and holding co.	10.268	9.870	13.419	12.524	-	-	-	-
Interest on Equity and dividends	-	-	682.227	682.227	-	-	-	-
Cemig Geração e Transmissão S.A.								
Affiliated companies and holding co.	15.046	13.433	9.957	10.705	-	-		-
Energy purchased for resale (Note 1)	-	5.570	46.686	20.881	-	960	(54.486)	(23.348)
Light								
Energy bought for resale (1)	-	-	2.535	2.454	-	-	(5.267)	(5.079)
Minas Gerais state government								
Consumers and traders (4)	2.269	1.616	-	-	19.051	17.878	-	-
Taxes, charges and contributions (5)	122.646	115.275	57.351	57.351	(496.288)	(557.276)	-	-
Taxes subject to offsetting (5)	57.351	57.351	-	-	-	-	-	-
Consumers and traders (2)	11.968	17.200	-	-	-	-	-	-
FORLUZ								
Post-employment obligations – current (3)	-	-	54.580	53.092	-	-	(22.939)	(37.169)
Post-employment obligations – noncurrent (3)	-	-	823.773	833.238	-	-	-	-
Other	-	-	25.677	53.912	-	-	-	-
Personnel expenses (6)	-	-	-	-	-	-	(12.590)	(12.356)
Current administration expense (7)	-	-	-	-	-	-	(3.062)	(2.996)
OTHER								
Affiliated and subsidiary companies, or parent	569	557	-	-	-	-	-	-

Main material comments on the above transactions:

(1) The Company has contracts for purchase of electricity from Cemig Geração e Transmissão S.A. and Light S.A., arising from the public electricity auction which took place in 2005, with period of validity of 8 years from the start of supply and annual adjustment by the IGP-M inflation index. These transactions were carried out on terms equivalent to those that prevail in transactions with independent parties, in view of the fact that the purchase of energy was made through an auction organized by the federal government, which subsequently decided what contracts should be signed between distributors and generators.

(2) A substantial portion of the amount refers to the renegotiation of the debit originating from the sale of energy to Copasa, with provision for payment up to September 2012, and financial updating (IGP-M inflation index + 0.5% per month).

(3) The contracts of FORLUZ are updated by the Expanded Consumer Price Index (IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) (See Explanatory Note 18) and will be amortized up to the business year of 2024.

(4) Refers to sale of energy to the government of the State of Minas Gerais. The transactions were carried out on terms equivalent to those which prevail in the transactions with independent parties, considering that the price of the energy is that defined by Aneel through a resolution referring to the company's annual tariff adjustment.

(5) The transactions with ICMS tax posted in the financial statements refer to transactions for sale of energy and are carried out in conformity with the specific legislation of the State of Minas Gerais.

(6) Cemig's contributions to the Pension Fund related to the employees participating in the Mixed Plan (see Explanatory Note 18) and calculated on the monthly remunerations in accordance with the regulations of the Fund.

(7) Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's total payroll.

For more information on the main transactions, see Explanatory Notes 5, 9, 15, 18, 20, 24, 25 and 27.

28) – FINANCIAL INSTRUMENTS

Cemig Distribution uses financial instruments restricted to cash and cash equivalents, consumers and traders, loans and financings, debentures, and currency swaps. The gains and losses obtained on the transactions are registered in full by the accrual method.

The Company's financial instruments were recognized initially at fair value and are classified as follows:

- Held for trading: In this category are cash investments and derivative investments (mentioned in item "b"). They are valued at fair value and the gains or losses are recognized directly in the income statement.
- Receivables: Credits from consumers and traders are in this category. They are recognized at their nominal realization value, similar to the fair values.
- Loans and financings, and obligations under debentures: These are measured at the amortized cost using the effective interest rates method. Gains or losses are recognized in the income statement as and when they take place.
- Derivative financial instruments: These are measured at fair value and the gains and losses are recognized directly in the income statement.

a) Management of risks

The management of corporate risks is a management tool that is part of the practices of Corporate Governance and aligned with the process of planning, which sets the strategic objectives of the Company's business.

The Company has a Financial Risks Management Committee, which aims to implement guidelines and monitor the financial risk of transactions which might negatively affect the Company's liquidity and profitability, recommending protection strategies in relation to foreign exchange, interest rate and inflation risks. These are effectively in line with the Company's strategy.

Cemig D's principal exposure risks are listed below:

Exchange rate risk

Cemig D is exposed to the risk of increase in exchange rates, especially of the US dollar against the Real, with significant impact on indebtedness, profit and cash flow. For the purpose of reducing the Company's exposure to increases in exchange rates, Cemig Distribuição had, on March 31, 2009, hedge transactions contracted, which are described in more detail in item b.

The net exposure to exchange rates is as follows:

EXPOSURE TO EXCHANGE RATES	**03/31/2009**	**12/31/2008**
US dollar		
Loans and financings	265,038	262,417
Contracted hedge/swap	(121,923)	(123,071)
	143,115	139,346
Euro		
Loans and financings	16,426	17,087
Net liability exposure	**159,541**	**156,433**

The Company estimates that, in a probable scenario, the appreciation of the exchange rates of foreign currencies against the Real at the end of 2009 will be 1.50%. The Company has made a sensitivity analysis of the effects on its results arising from increases in the Selic rate of 25% and 50%, respectively – scenarios which we assess as "possible" and "remote", respectively.

Risk - Increase in exchange rate	Base 2008	"Probable" scenario	"Possible" scenario Exchange variation of 25%	"Remote" scenario Exchange variation of 50%
US dollar				
Loans and financings	265,038	269,022	336,563	404,105
(-) Contracted hedge/swap	(121,923)	(123,756)	(154,826)	(185,897)
	143,115	145,266	181,737	218,208
Euro	16,426	16,673	20,664	24,811
Net liability exposure	**159,541**	**161,939**	**202,401**	**243,019**
Net effect variation of exchange rate	**-**	**(2,398)**	**(42,861)**	**(83,479)**

Interest rate risk

Cemig Distribution is exposed to the risk of increase in international interest rates, with an impact on loans and financings in foreign currency with floating rates (Libor) in the amount of R$ 17,535, at March 31, 2009.

In relation to the risk of increase of domestic interest rates, the Company's exposure arises from its liabilities indexed to interest rates, which are as follows:

EXPOSURE OF CEMIG D TO BRAZILIAN INTEREST RATES	03/31/2009	12/31/2008
Assets		
Cash investments	421,297	351,882
Regulatory assets	1,609,016	1,503,538
	2,030,313	1,855,420
Liabilities		
Loans and financings	(1,246,183)	(1,210,660)
Regulatory liabilities	(587,987)	(611,202)
Contracted hedge/swap	(121,923)	(123,071)
	(1,956,093)	(1,944,933)
Net liability exposure	**74,220**	**(89,513)**

Credit risk

This risk arising from the possibility of Cemig incurring losses as a result of difficulty in receiving amounts billed to its clients is considered to be low. The Company carries out monitoring for the purpose of reducing default, on an individual basis, with its consumers. Negotiations are also established for receipt of receivables in arrears.

Electricity scarcity risk

The electricity sold is generated, basically, by hydroelectric power plants. A prolonged period of shortage of rainfall could result in reduction of volume of water in the reservoirs of the Company's plants, adversely affecting the recovery of their volume and resulting in losses as a result of increased costs of acquisition of electricity, or reduction of revenues in the event of adoption of a renewed rationing program, like the one put in place by the federal government in 2001.

Early debt maturity risk

The Company has contracts for loans and financings with the restrictive covenant clauses normally applicable to these types of operation, related to compliance with limits on economic and financial indices, cash flow and other indicators. Non-compliance with these clauses could result in early maturity of debt. The restrictive covenant clauses were fully complied with on March 31, 2009.

Risk of non-renewal of concessions

The Company has concessions for commercial operation of distribution services. Management expects that these concessions will be renewed by Aneel and/or the Mining and Energy Ministry. If the Mining and Energy Ministry does not grant the applications for renewals of these concessions, or if it decides to renew them upon imposition of additional costs for the company ("concessions for consideration"), the present levels of activity and profitability could be altered.

b) Financial instruments – derivatives

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 principal amounts of the transactions and derivatives are not posted in the balance sheet, since they refer to transactions which do not require cash payments, but only the gains or losses that actually occur. The net results of these transactions represented a loss on March 31, 2009, of R$ 753 (vs. loss of R$ 7,291 on March 31, 2008), recorded in Financial revenue (expenses).

Methodology of calculation of the fair value of positions

The fair value of financial investments is calculated, when applicable, taking into consideration the market prices of the security, or market information that makes such calculation possible, and future rates for similar securities. The market value of the security corresponds to its maturity value brought to present value by the discount factor obtained from the market yield curve in Reais.

This table shows the derivative instruments contracted by Cemig D on March 31, 2009.

Receivable by Cemig Geração e Transmissão	Payable by Cemig Geração e Transmissão	Maturity period	Market Trading	Principal amount contract*		Lost not realized				Accumulated Effect
						Book Value		Fair Value		Payable Amount
				03/31/2009	03/31/2008	03/31/2009	12/31/2008	03/31/2009	12/31/2008	03/31/2009
US$ exchange rate + interest (5.58% p.a. to 7.48% p.a.)	R$ 100% of CDI + interest (2.98% p.a.. to 3.01% p.a.)	From 04/2009 to 06/2013	Over the counter (OTC)	US$52,662	US$52,662	(76,726)	(70,801)	(80,385)	(79,633)	-

c) Sensitivity analysis

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 2009 will be 9.00%. The Company has made a sensitivity analysis of the effects on its results arising from increases in the Selic rate of 25% and 50%, respectively, in relation to December 31, 2008 – scenarios which we assess as "possible" and "remote", respectively. In these "possible" and "remote" scenarios, the CDI rate at December 31, 2009, would be: 11.25% and 13.50%, respectively.

	Base	"Probable" scenario	"Possible" scenario	"Remote" scenario
Risk -Exposure Brazilian Interest Rates				
Contract in US$	(121,923)	(119,953)	(122,005)	(124,057)
Net effect variation of SELIC		**1,969**	**(82)**	**(2,134)**

29) – FINAL RESULT OF THE SECOND TARIFF REVIEW OF CEMIG D

In March 2009 Aneel homologated the final result of the tariff review of Cemig Distribution, the effects of which take place from April 2008.

The final result of the Company's second tariff review was an average reduction of 19.62%, which compares with the average reduction of 18.09% applied on a provisional basis in April 2008.

For the homologation of the final Tariff Review, Aneel also recalculated the amounts which, in its judgment, should have been those effectively recognized in the Company's Tariff Adjustment as from April 2008.

The effects on the income statement relate primarily to the reduction in the value of the "Reference Company" used as a basis for reimbursement of the Company's manageable costs; and also to a review by Aneel of the criterion for calculation of the reimbursements, in the tariff, of the financial regulatory assets, which resulted in discounting of amounts which, in the regulator's view, were included in excess in the Company's tariff in 2008. A summary of the adjustments is shown below.

	31/03/2009
Adjustment arising from the Company's Tariff Review	(104,458)
Revision of the calculation of reimbursement of the financial items included in the 2008 tariff adjustment	(160,167)
Other regulatory items	71,719
	(192,906)

The adjustments referred to affected the following lines of the March 31, 2009 income statement:

	31/03/2009
Operational revenue net of Pasep and Cofins taxes	(213,803)
Operational costs and expenses	20,987
	(192,906)
Income tax and Social Contribution tax	65,588
Net effect on income statement	(127,318)

30) – SUBSEQUENTS EVENTS

Temporary Voluntary dismissal program (PDV)

In April 2009, Cemig put in place its temporary voluntary dismissal program (PDV), available to employees between April 22 and June 5, 2009.

Employees who subscribe to the PDV receive a financial incentive varying between 3 and 16 times their monthly remuneration, according to criteria established in the program's regulations, of which the principal one is the time of contribution remaining for full retirement entitlement under the national social security system (INSS). The incentive includes payment of the contributions to the pension fund and the INSS up to the date when the employee would have complied with the requirements for applying for retirement benefit under the INSS (limited to five years), and deposit of the obligatory "penalty" payment (applicable to dismissals) of 40% on the balance of the employee's accumulated funds under the FGTS system.

Additionally, Cemig guarantees full payment of the costs of the group life insurance plan, for 6 months, and of the health plan, for 12 months, from the date of leaving the company.

The provision for the expenses under this program will be made in the second quarter of 2009, depending on how many employees subscribe to the program.

The April 2009 tariff adjustment

The *adjustment* to Cemig D's tariffs resulted in an average increase of 6.21% in consumers' electricity invoices, from April 8, 2009. The adjustment applied differently to different consumer categories: electricity bills of residential consumers were increased by 4.87%; invoices for high-voltage consumers were increased by an average of 9.42%.

ECONOMIC – FINANCIAL PERFORMANCE

Amounts are in thousands of Reais unless otherwise stated.

Profit in the period

In the first quarter of 2009 (1Q09), Cemig D reported net profit of R$ 40.334 million, 85.10% lower than the net profit of R$ 270.659 million reported for the first quarter of 2008 (1Q08).c

This lower profit was due in part to the extraordinary adjustments posted in the first quarter of 2009, arising from the final values advised by Aneel for the Company's tariff review, with a negative impact of R$ 127 million in the result. In counterpart, an extraordinary creditor item with a positive impact of R$ 38 million was posted in the income statement for the first quarter of 2008.

Additionally, there was a reduction in net revenue as a result of the tariff review of Cemig Distribution made in 2008, which applied an average reduction in tariffs of 12.24% as from April 8 of that year.

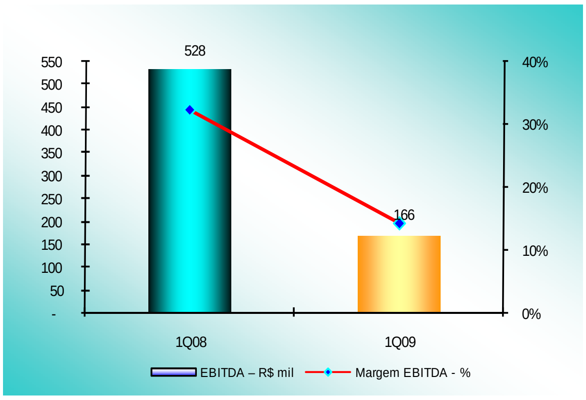
Ebitda (method of calculation not reviewed by external auditors)

Cemig D reported Ebitda in the first three months of 2009 (“3M09”) 68.46% lower than in 3M08. Adjusted for non-recurring items, Ebitda was 23.50% lower.

As part of the tariff review of Cemig Distribuição, Aneel included in the tariff to be applied as from April 8, 2009 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, 2009 to April 7, 2010.

The financial items mentioned refer principally to the reduction in the cost of the “Reference Company” used by Aneel to reimburse the Company for its manageable costs, with effect backdated to 2008. The impact on Ebitda of this non-recurring recognition of financial items was R$ 192,816, as follows:

EBITDA - R$ '000	03/31/2009	03/31/2008	Change %
Net profit	40,334	270,659	(85.10)
+ Income tax and Social Contribution	18,477	141,031	(86.90)
+ Employees’ and managers’ shares in results	18,725	16,155	15.91
– Financial revenue (expenses)	7,773	(10,541)	-
+ Amortization and depreciation	81,162	110,515	(26.56)
= Ebitda	**166,471**	**527,819**	**(68.46)**
Non-recurring items:			
- Tariff review – Net revenue	213,803	(62,464)	-
+ Tariff review – Operational expense	(20,987)	4,330	-
= ADJUSTED EBITDA	**359,287**	**469,685**	**(23.50)**



The lower Ebitda in the first quarter of 2009 than in 1Q08 (excluding the effects of expenses on depreciation and amortization) principally reflects the negative impacts of the final tariff review. The operational performance in 2009 was reflected in Ebitda margin, which rose from 32.03% in 1Q08 to 14.04% in 1Q09.

GROSS REVENUE FROM RETAIL SUPPLY OF ELECTRICITY, AND REVENUE FOR USE OF THE NETWORK – CAPTIVE CONSUMERS

This revenue was R$ 1,815,220 in the first quarter of 2009, 22.54% lower than in 1Q08, when it was R$ 2,343,347.

The main impacts on 2008 revenues arose from the following factors:

- Tariff readjustment averaging 12.24% on consumer tariffs, starting from April 8, 2008 (full effect in 2009).
- Volume of energy invoiced to final consumers 4.52% higher (this excludes Cemig D’s own internal consumption).
- Recording of regulatory liability resulting from the adjustment in the Company’s Tariff Review, backdated to 2008, representing a reduction of R$ 213,803 in gross revenue.

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

Consumption by consumer category	MWh 03/31/2009	03/31/2008	*Change %*
Residential	1,905,496	1,729,761	10,16
Industrial	1,182,634	1,224,837	(3,45)
Commercial, services and others	1,160,226	1,084,482	6,98
Rural	452,303	453,242	(0,21)
Public authorities	168,534	152,436	10,56
Public illumination	269,358	259,068	3,97
Public service	260,706	262,152	(0,55)
Total	**5,399,257**	**5,165,978**	4,52

Revenue from use of the network – Free Consumers

This revenue refers to the TUSD – Tariff for Use of the Distribution System – charged to free consumers on the energy sold, principally by Cemig Generation and Transmission. In the first quarter of 2009 this revenue was R$ 261,850, compared to R$ 315,032 in 1Q08, that is to say 16.88% lower, due to a lower volume of transport of energy for free consumers, consequence of the international economic situation, which had repercussions on Brazilian industrial production.

Non-controllable costs

Differences between the non-controllable costs assumed in calculating tariff adjustments, and disbursements actually made, are recorded in an account known as the CVA (cost variation account), and their total is offset in subsequent tariff adjustments. CVA amounts are registered in Current and Non-current assets. Complying with the Aneel Chart of Accounts, some items are allocated as Deductions from operational revenue. Please refer to further information in Explanatory Note 5 and Note 6 to the Quarterly Information.

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

Deductions from operational revenues in 1Q09 totaled R$ 910,484, 11.44% lower than in 1Q08 (R$ 1,028,152). The principal changes in these expenses are as follows:

<u>Fuel Consumption Account – CCC</u>

The deduction from revenue for the CCC was R$ 88,487 in 1Q09, compared to R$ 62,594 in 1Q08, an increase of 41.37%. 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 for the CDE was R$ 77,529 in 1Q09, 3.27% higher than in 1Q08 (R$ 75,073). 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 deduction from revenue for the CDE was R$ 17,517 in 1Q09, 13.60% higher than in 1Q08 (R$ 15,420). This is a non-controllable cost; the amount deducted from revenue is passed through to tariffs.

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 (excluding Net financial revenue (expenses)) amounted to R$ 1.100 billion in 1Q09, 10.56% lower than in 1Q08 (R$ 1,230 billion), a reduction of 10.56%. This mainly reflects changes in energy bought for resale, post-employment obligations and depreciation and amortization. For further information on the composition of operational costs and expenses, see Explanatory Note 25 to the Quarterly Information.

The principal changes in expenses are:

Personnel expenses

Personnel expenses totaled R$ 200,966 in 1Q09, 3.24% higher than in 1Q08 (R$ 194,660). This principally reflects:

- Salary increase of 7.26% given to employees in November 2008.
- Greater transfer of costs from personnel expenses to works in progress (R$ 22,547 in 1Q09, vs. R$ 16,269 in 1Q08) due to greater capital expenditure activity.

Further information on the composition of personnel expenses is given in explanatory note No. 25 of the Quarterly Information.

Energy purchased for resale

Expense on electricity purchased for resale was R$ 505,711 in 1Q09, compared to R$ 577,738 in 1Q08, representing a reduction of 12.47%. This is a non-controllable cost; the amount deducted from revenue is passed through to tariffs. Further information is given in Explanatory note No. 25 to the Quarterly Information.

Depreciation and amortization

The expense on depreciation and amortization was R$ 81,162 in first quarter 2009, compared to R$ 110,515 in 1Q08, that is to say 26.56% lower. This result arises from the depreciation of “Special Obligations”, from April 2008, the date of the second-cycle tariff review.

Post-employment obligations

Expenses on post-employment obligations totaled R$ 22,939 in 1Q09, compared to R$ 37,169 in 1Q08, 38.28% lower. 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 reduction in this expense in 2009 is mainly due to the downward adjustment made in December 2008 to actuarial assumptions for interest rates, resulting in a reduction in the Company's net obligations.

Charges for Use of the Basic Transmission Grid

Charges for use of the transmission network totaled R$ 119,565 in 1Q09, compared to R$ 119,994 in 1Q08, 0.36% lower. 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 1Q09 was R$ 105,051, compared to R$ 99,953 in 1Q08, 5.10% higher, the main variations being in expenditure on maintenance and conservation of electricity facilities, and outsourced invoice collectors, account reading and delivery. Expenses under this heading are given in detail in Explanatory Note 25 to the Quarterly Information.

Financial revenues (expenses)

In 1Q09 the company reported net financial expenses of R$ 7,773, compared to net financial expenses of R$ 10,541 in 1Q08. The main factors in this financial result are:

- Lower revenue from cash investments, at R$ 10,180 in 1Q09, vs. R$ 18,040 in 1Q08, 43.57% higher, due to a lower volume of cash invested in this quarter.

- Revenue from penalty payments applied to arrears on settlement of electricity bills R$ 20.470 lower in 1Q09, at R$ 22.578, compared to R$ 43,048 in 1Q08. This variation also reflects an item of revenue posted in 1Q08, 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.

- Lower revenue from monetary updating on the General Agreement for the Electricity Sector. The revenue was R$ 14,235 in 1Q09, compared to R$ 27,337 in 1Q08 – reflecting the lower value of the regulatory assets in 2009, since part of them had been amortized.

- Reduction of 93.14% in the revenue from monetary updating and interest on the Deferred Tariff Adjustment. This revenue was R$ 1,777 in 1Q09, compared to R$ 25,897 in 1Q08. This mainly reflects the reduction of the size of the asset, due to receipt of some of the amounts receivable in electricity bills paid by clients. See Explanatory Note 10 to the Quarterly Information.

- Lower Monetary Variation on Loans and Financings: R$ 3,737 in 1Q09, vs. R$ 19,190 in 1Q08. This result is basically due to the higher variation in inflation indices in 2008.

For a breakdown of financial revenues and expenses, see Explanatory Note nº 25 of the quarterly information.

Income tax and Social Contribution

In 1Q08 Cemig D posted expenses on income tax and Social Contribution of R$ 18,477, representing 23.83% of the pre-tax profit of R$ 77,536. In 1Q08, the company posted expenses on income tax and Social Contribution of R$ 141,031 million, representing 32.96% of the pre-tax profit of R$ 427,845. These effective rates are reconciled with the nominal rates in Explanatory Note 9 to the quarterly information.

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