



Brazil's Best Electricity

EARNINGS RELEASE

2009

Cemig D

— Revenue from supply of electricity and use of the network – captive consumers

The main factors affecting revenue in 2009 were:

- Tariff adjustment with average impact on consumer tariffs of +6.21%, starting from April 8th, 2009.
- Reduction of the tariff, with average effect across all consumer tariffs of –12.08%, from April 8th, 2008 (full effect in 2009).
- Posting of regulatory liabilities arising from the adjustment in the Company's Tariff Review, with effect backdated to 2008, representing a reduction in gross revenue of R\$ 213.8 million, in 2009.

	MWh			R\$		
	2009	2008	Change, %	2009	2008	Change, %
Residential	7,774,466	7,163,793	8.52	3,618,073	3,408,502	6.15
Industrial	4,826,009	5,562,687	-13.24	1,698,125	1,788,103	(5.03)
Commercial, services and others	4,642,166	4,390,742	5.73	2,022,347	1,905,006	6.16
Rural	2,208,247	2,295,897	-3.82	553,300	572,540	(3.36)
Public authorities	718,070	701,491	2.36	305,703	295,775	3.36
Public illumination	1,057,666	1,036,069	2.08	266,474	261,323	1.97
Public service	1,070,536	1,072,770	-0.21	310,989	296,519	4.88
Sub-total	22,297,160	22,223,449	0.33	8,775,011	8,527,768	2.90
Own consumption	34,844	34,716	0.37	-	-	-
Subsidy for low-income consumers (1)	-	-	-	264,734	47,571	456.50
Retail supply not invoiced, net	-	-	-	12,334	(28,113)	(143.87)
Effect of the Final Tariff Review (2)	-	-	-	(71,302)	-	-
	22,332,004	22,258,165	0.33	8,980,777	8,547,226	5.07
Transactions in energy on the CCEE	219,494	23,997	815	476	4,224	(88.73)
Total	22,551,498	22,282,162	1.21	8,981,253	8,551,450	5.03

— Operational revenue

R\$ million	2009	2008	Change, %
Revenue from supply of electricity	4,571	2,731	67.37
Revenue from use of the network – captive consumers	4,410	5,820	(24.23)
Sub-total	8,981	8,551	5.03
Revenue for use of the network – Free Consumers	1,194	1,397	(14.53)
Other	86	76	13.16
Total	10,261	10,024	2.36

— 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 for transport of the electricity sold by other agents within the Company's concession area, mainly by **Cemig GT** (Cemig Geração e Transmissão), and was 14.53% lower in 2009, at R\$ 1.194 billion, than in 2008 (R\$ 1.397 billion). The lower figure principally reflects the reduction in the average tariff, of approximately 3%, in 2009, and a volume of electricity transported 13.4% lower than in 2008. This in turn reflects the effects of the world economic crisis on the Brazilian industrial sector.

— Net income for the period

(Figures are in R\$ '000 unless otherwise indicated.)

Cemig D reports net income in 2009 of R\$ 338 million, a reduction of 52.33% from its net income of R\$ 709 million in 2008.

— EBITDA (method of calculation not reviewed by external auditors)

As this table shows, the EBITDA of **Cemig D** was 41.16% lower in 2009 than 2008. Adjusted for non-recurring items this reduction is 16.43%.

R\$ million	2009	2008	Change, %
Net income	338	709	(52.33)
+ Provision for income tax and Social Contribution tax	86	273	(68.50)
+ Financial revenues (expenses)	1	7	(85.71)
+ Depreciation and amortization	357	354	0.85
+ Employees' profit shares	163	263	(38.02)
= EBITDA	945	1,606	(41.16)
Non-recurring items (*):			
+ Extraordinary Tariff Recomposition – Normative Resolution 387	30	-	-
- Tariff review – Net revenue	214	(63)	(439.68)
+ Tariff review – Operational expense	(21)	4	(625.00)
+ Employee voluntary retirement programs	154	35	340.00
= ADJUSTED EBITDA (Not audited)	1,322	1,582	(16.43)

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

— Deductions from operational revenues

	2009	2008	Change, %
ICMS tax	2,078,024	2,128,971	(2.39)
COFINS tax	780,042	808,487	(3.52)
Global Reversion Reserve – RGR	70,468	72,111	(2.28)
PIS and PASEP taxes	169,351	182,536	(7.22)
Energy Efficiency Program – P.E.E.	34,168	32,518	5.07
Energy Development Account – CDE	334,984	291,504	14.92
Quote for Fuel Consumption Account – CCC	374,650	329,979	13.54
Research and Development	13,665	13,007	5.06
National Scientific and Technological Development Fund – FNDCT	12,906	12,543	2.89
Energy system expansion research – EPE	7,584	5,379	40.99
ISS value added tax on services	383	399	(4.01)
	3,876,225	3,877,434	-0.03

Deductions from operational revenue totaled R\$ 3.876 billion in 2009, compared to R\$ 3.877 billion in 2008. The following paragraphs describe the main changes in these deductions:

— The Fuel Consumption Account – CCC

The deduction from revenue for the CCC in 2009 was R\$ 375 million, 13.54% more than in 2008 (R\$ 330 million). This is a contribution for the costs of operation of the thermal plants in the national grid and in the isolated systems. It is shared between electricity concession holders, on a basis set by an ANEEL Resolution. It is a non-controllable cost: the

same amount deducted from revenue is passed on to the tariff.

— Energy Development Account – CDE

The deduction from revenue for the CDE in 2009 was R\$ 335 million, 14.92% more than in 2008 (R\$ 292 million). These payments are specified by an ANEEL Resolution. This is a non-controllable cost: the expense recognized in the income statement is the amount passed on to the tariff.

The other deductions from revenue are for taxes that are calculated as a percentage of invoiced revenue – hence their variations are substantially the same in percentage terms as the changes in revenue.

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

	2009	2008	Change, %
Non-controllable costs			
Electricity bought for resale	3,068	2,417	26.93
Royalties for use of water resources	8	7	14.29
Charges for the use of the basic transmission grid	531	459	15.69
	3,607	2,883	25.11
Controllable costs			
Personnel expenses	859	748	14.84
Post-employment obligations	92	149	(38.26)
Materials	81	80	1.25
Outsourced services	525	426	23.24
Operational provisions	66	88	(25.00)
Depreciation and amortization	357	354	0.85
Other expenses, net	210	166	26.51
	2,190	2,011	8.90
	5,797	4,894	18.45

The increase of 18.45% in operational costs and expenses is mainly due to increases in personnel costs, electricity bought for resale, and outsourced services, this effect being partially offset by the reduction in post-employment obligations. For more information on the components of operational costs and expenses, please see Explanatory Note 25 to the Financial Statements.

The main variations in operational expenses were:

— Personnel expenses

Personnel expenses in 2009 totaled R\$ 859 million, vs. R\$ 748 million in 2008, an increase of 14.84%. This result is mainly due to the salary increases of 4.88% and 7.26% given to employees in November 2008 and 2009, respectively; and also the provision, of R\$ 154 million, made in 2009 for the PPD Voluntary Retirement Program – partially offset by the effect of the number of employees being 7.10% lower in 2009. **Cemig D** had 8,031 employees in 2008, and this was reduced to 7,461 in 2009.

For a breakdown of personnel expenses please see Explanatory Note 25 to the Financial Statements.

— Electricity bought for resale

The expense on electricity bought for resale in 2009 was R\$ 3.068 billion, 26.93% higher than the figure of R\$ 2.417 billion for 2008. This reflects the increase of 23.86% in the average tariff for energy bought in the 2009–10 tariff cycle. This is a non-controllable cost: the expense recognized in the income statement is the amount passed on to the tariff. For

more information please see Explanatory Note 25 to the Financial Statements.

— **Post-employment obligations**

Expenses on post-employment obligations in 2009 were R\$ 92 million, compared to R\$ 149 million in 2008, a reduction of 38.26%. These expenses basically represent interest on the actuarial liabilities of Cemig D, net of the expected return on the pension plans' assets, as estimated by an external actuary. The lower expense in 2009 basically reflects the adjustment made to the actuarial assumptions in December 2008, which resulted in a reduction of the Company's net obligations.

— **Operational provisions**

Operational provisions totaled R\$ 66 million in 2009, 25% lower than their total of R\$ 88 million in 2008. For a breakdown of this line please see Explanatory Note 25 to the Financial Statements.

— **Depreciation and amortization**

The expense on depreciation and amortization is not significantly different in the two years: R\$ 357 million in 2009, and R\$ 354 million in 2004, a difference of +0.85%.

— **Charges for the use of the basic transmission grid**

The expense on charges for use of the transmission network in 2009 was R\$ 531 million, vs. R\$ 459 million in 2008, an increase of 15.69%. These expenses, set by an ANEEL Resolution, are payable by electricity distribution and generation agents for use of the facilities that are components of the national grid. This is a non-controllable cost: the expense recognized in the income statement is the amount passed on to the tariff.

— Financial revenues (expenses)

	2009	2008	Change, %
FINANCIAL REVENUES			
Revenue from cash investments	34,528	88,467	(60.97)
Arrears penalty payments on electricity bills	148,765	137,338	8.32
Monetary updating of CVA	32,410	33,257	(2.55)
Monetary updating on credits under the General Agreement for the Electricity Sector	38,148	84,057	(54.62)
Monetary updating – Deferred Tariff Adjustment	1,802	76,618	(97.65)
FX variations	87,499	11,791	642.08
PASEP and COFINS taxes on financial revenues	(167)	(7,504)	(97.77)
Gains on financial instruments (Note 29)	-	13,359	-
Other	52,788	49,680	6.26
	395,773	487,063	(18.74)
FINANCIAL EXPENSES			
Charges on loans and financings	(251.051)	(283.105)	(11.32)
Monetary updating on items under the General Agreement for the Electricity Sector	-	(2.459)	-
FX variations	(28.404)	(73.381)	(61.29)
Monetary updating on loans and financings	(14.851)	(64.692)	(77.04)
CPMF TAX	-	(3.011)	-
Losses on financial instruments (Note 29)	(45.325)	-	-
Provision for losses in the recovery of RTE amounts – Updating	-	(1.470)	-
Other	(56.835)	(65.448)	(13.16)
	(396.466)	(493.566)	(19.67)
NET FINANCIAL REVENUE (EXPENSES)	(693)	(6.503)	(89.34)

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

The company posted net financial expenses of R\$ 700 thousand in 2009, which compares with net financial expenses of R\$ 6.5 million in 2008. The main factors affecting Net financial revenues (expenses) were:

- Revenue from cash investments R\$ 54 million lower, due to the lower volume of cash invested in 2009.
- Revenue from arrears penalty payments on clients' electricity invoices in 2009, at R\$ 148 million, 8.32% higher than in 2008 (R\$ 137 million). This variation is mainly due to recognition of arrears charges on large industrial consumers recognized in 2009, where the value of the principal amounts of their accounts was considerably lower than the amount added for the arrears penalty payments themselves.
- Lower revenue from monetary updating on the regulatory assets arising from the General Agreement for the Electricity Sector. This revenue in

2009 was R\$ 38 million, compared to R\$ 84 million in 2008 – basically reflecting the lower value of the regulatory assets in 2009, due to their amortization.

- Revenue from monetary updating and interest on the Deferred Tariff Adjustment of R\$ 2 million in 2009, compared to R\$ 77 million in 2008. This is mainly due to the reduction of the asset by its partial settlement by receipt of amounts receivable, through electricity invoices. For more information please see Explanatory Note 11 to the Financial Statements.
- Lower monetary updating on loans and financings in Brazilian currency, at R\$ 15 million in 2009, compared to R\$ 65 million in 2008. The reduction arises from differing IPCA and IGP-M inflation indices in 2009 and 2008: In full-year 2009, inflation as measured by the IPCA index was 4.22%, compared to 6.39% in 2008; and inflation as measured by the IGP-M index in full-year 2009 was –1.72%, compared to 9.81% in 2008.

- Net gains on FX variations in 2009, of R\$ 14 million, net of the compensatory effects created by financial instruments, compared to a net loss of R\$ 48 million in 2008, arising basically from loans and financings in foreign currency. This change is mainly due to the weakening of the US dollar against the Real in 2009. In 2009 the US dollar depreciated against the Real by 25.49%, while in 2008 it had appreciated against the Real by 31.94%. For part of the debt in foreign currency the Company made swap transactions, changing the indexors of contracts from the variation in foreign currency exchange rates to the domestic CDI rate.

— Income tax and Social Contribution tax

In 2009 **Cemig D**'s expenses on income tax and the Social Contribution tax totaled R\$ 87 million, on profit of R\$ 587 million before tax effects, a percentage of 14.82%. This compares with 2008, when **Cemig D**'s expenses on income tax and the Social Contribution tax totaled R\$ 273 million, on profit of R\$ 1.246 billion before tax, a percentage of 21.91%. These effective rates are reconciled with the nominal rates in Explanatory Note 10 to the Financial Statements.

— **Employees' profit shares**

In accordance with the 2009 Collective Labor Agreement, **Cemig D** allocated profit shares to its employees totaling R\$ 163 million (R\$ 263 million in 2008). For more information please see Explanatory Note 27 to the Financial Statements.

— **LIQUIDITY AND CASH FLOW**

At the end of 2009 **Cemig D** held a cash position of R\$ 246 million (vs. R\$ 442 million at the end of 2008).

Cash generated by operations in the year was R\$ 1.228 billion, compared to R\$ 1.332 billion in 2008. The reduction

mainly reflects the lower volume of revenues received in relation to regulatory assets in 2009.

Financing activities represented net cash outflow of R\$ 698 million, arising from loans and financings obtained in the amount of R\$ 119 million, with amortizations totaling R\$ 168 million, and payments of Interest on Equity and dividends of R\$ 649 million.

The Company's capital expenditure in 2009 totaled R\$ 726 million, which compares with R\$ 718 million in 2008. Both figures are mainly related to the *Clarear*, the *Cresce Minas* and the *Luz para Todos* ("Light for Everyone") Programs.

— Disclaimer

Some statements and assumptions in this document are projections based on the viewpoint and assumptions of management, and involve risks and uncertainties both known and unknown. Future outcomes may differ materially from those expressed or implicit in such statements.

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CEMIG D – Tables I to IV

TABLE I

CEMIG D Market				
Quarter	(GWh)			GW
	Captive Consumers	TUSD ENERGY ¹	T.E.D ²	TUSD PICK ³
1Q06	4,856	4,053	8,909	17.4
2Q06	4,986	4,207	9,193	17.8
3Q06	5,069	4,286	9,355	18.1
4Q06	5,059	4,194	9,253	18.2
1Q07	4,912	4,128	9,040	18.5
2Q07	5,267	4,438	9,705	19.1
3Q07	5,165	4,516	9,681	19.8
4Q07	5,350	4,457	9,807	20.0
1Q08	5,175	4,082	9,257	20.5
2Q08	5,494	4,364	9,858	20.5
3Q08	5,766	4,597	10,363	21.2
4Q08	5,823	4,368	10,191	21.4
1Q09	5,408	3,269	8,677	20.6
2Q09	5,478	3,593	9,071	20.5
3Q09	5,666	3,915	9,581	21.9
4Q09	5,740	4,304	10,043	22.4

1. Refers to the quantity of electricity for calculation of the regulatory charges charged to free consumer clients ("Portion A")

2. Total electricity distributed

3. Sum of the demand on which the TUSD is invoiced, according to demand contracted ("Portion B").

TABLE II

Operating Revenues (consolidated) - CEMIG D Values in million of Reais

	4th Q. 2009	3rd Q. 2009	Chge%	4th Q. 2008	Chge%	2009	2008	Chge%
Sales to end consumers	2,494	2,394	4	2,047	22	8,981	8,547	5
TUSD	318	307	4	405	(21)	1,163	1,432	(19)
Subtotal	2,812	2,701	4	2,452	15	10,144	9,979	2
Others	52	28	86	-	-	117	45	160
Subtotal	2,864	2,729	5	2,452	17	10,261	10,024	2
Deductions	(1,016)	(968)	5	(934)	9	(3,876)	(3,877)	(0)
Net Revenues	1,848	1,761	5	1,518	22	6,385	6,147	4

TABLE III

Operating Expenses (consolidated) - CEMIG D
Values in millions of reais

	4th Q. 2009	3rd Q. 2008	Chge%	4th Q. 2008	Chge%	2009	2008	Chge%
Purchased Energy	940	884	6	631	49	3,068	2,416	27
Personnel/Administrators/Councillors	166	180	(8)	196	(15)	859	748	15
Depreciation and Amortization	115	80	44	83	39	357	354	1
Charges for Use of Basic Transmission Network	138	138	-	113	22	531	459	16
Contracted Services	161	115	40	114	41	525	426	23
Forluz – Post-Retirement Employee Benefits	23	23	-	37	(38)	92	149	(38)
Materials	19	22	(14)	23	(17)	81	80	1
Operating Provisions	5	37	(86)	27	(81)	66	89	(26)
Other Expenses	81	41	98	50	62	217	173	25
Total	1,648	1,520	8	1,274	29	5,796	4,894	18

TABLE IV

Statement of Results (Consolidated) - CEMIG D
Values in millions of reais

	4th Q. 2009	3rd Q. 2008	Chge%	4th Q. 2008	Chge%	2009	2008	Chge%
Net Revenue	1,848	1,761	5	1,519	22	6,385	6,147	4
Operating Expenses	(1,649)	(1,521)	8	(1,274)	29	(5,797)	(4,895)	18
EBIT	199	240	(17)	245	(19)	588	1,252	(53)
EBITDA	314	320	(2)	325	(3)	945	1,606	(41)
Financial Result	(36)	43	(184)	7	(614)	(1)	(6)	(83)
Provision for Income Taxes, Social Cont & Deferred								
Income Tax	(12)	(74)	(84)	6	(300)	(87)	(274)	(68)
Employee Participation	(92)	(19)	384	(215)	(57)	(162)	(263)	(38)
Net Income	59	190	(69)	43	37	338	709	(52)