



**Brazil's Best Electricity**

**Cemig GT**

**EARNINGS RELEASE**

**1Q 2010**

(Figures are in R\$ '000, except where otherwise stated)

## — Revenue from supply of electricity

	MWh			R\$		
	31/3/2010	31/3/2009	Δ%	31/3/2010	31/3/2009	Δ%
Industrial	4,165,106	4,137,469	1	473,504	435,448	9
Commercial	6,362	-	-	1,077	-	-
Uninvoiced supply, net	-	-	-	(4,517)	(23,731)	(81)
	<b>4,171,468</b>	<b>4,137,469</b>	<b>1</b>	<b>470,064</b>	<b>411,717</b>	<b>14</b>
Supply to other concession holders (*)	3,667,385	3,012,082	22	329,037	283,150	16
Transactions in electricity on the CCEE	1,114,230	773,360	44	35,618	74,280	(52)
Sales under Proinfra program	10,392	-	-	2,547	-	-
<b>Total</b>	<b>8,963,475</b>	<b>7,922,911</b>	<b>13</b>	<b>837,266</b>	<b>769,147</b>	<b>9</b>

(\*)Includes Power Trading Contracts within the Regulated Market as well as bilateral contracts with other players

Gross revenue from supply of electricity in 1Q10 was R\$ 837,266 million, 8.86% higher than in 1Q09 (R\$ 769,147).

This is mainly from the increase of 14.17% in revenue from free consumers due to the increase in the average price per MWh, as a result of the annual adjustment to these contracts – most of them are indexed to the IGP-M index. In 1Q10 this revenue was R\$ 470,064, compared to R\$ 411,717 in 1Q09.

The volume of electricity sold to other concession holders and under “bilateral contracts” was 21.76% higher – as a result of contracts made in both the “Adjustment” and the “New Energy” auctions, with average tariff between R\$ 134.00 and R\$ 145.77; and also due to the increase in energy allocated due to the greater volume of generation in the system. The resulting revenue from energy sold in 1Q10 was R\$ 329,037, compared to R\$ 283,150 in 1Q09, an increase of 16.21%.

## — Revenue from use of the network

Revenue from use of the network in 1Q10 was R\$ 232,949, 54.24% more than in 1Q09 (R\$ 151,030). The increase reflects the Tariff Review of the company's transmission activity in the first semester of 2009, and the acquisition of the electricity transmission company TAESA.

This is the tariff charged to agents in the electricity sector, including Free Consumers connected to the high voltage network, for use of the basic transmission grid owned by the Company, which is part of the Brazilian national grid. Supply of electricity to the Brazilian grid system is recorded when it takes place, and invoiced monthly, in accordance with the reimbursements specified in the concession contract. Under some of these contracts the revenue to be reimbursed in the last 15 years of the concession will be 50% less than in the first 15 years. The company recognizes the reimbursements of these concessions in accordance with each governing contract.

## — Net income for the period

**Cemig GT** (Cemig Geração e Transmissão S.A.) reported net income of R\$ 256,153 in 1Q10, 10.21% more than its net income of R\$ 232,413 reported for 1Q09.

This mainly reflects net revenue 16.79% higher than in 1Q09 due to the increase in the average price per MWh charged to free consumers, and the increase in revenue from use of the network due to the acquisition of TAESA, partially offset by the increase in operational expenses.

## EBITDA

(Method of calculation not reviewed by external auditors)

Cemig GT's EBITDA in 1Q10 was higher than in 1Q09:

EBITDA, R\$ '000	1Q10	1Q09	Change, %
Net income	256,153	232,413	10.21
+ Current and deferred income tax and Social Contribution tax	132,046	136,642	(3.36)
+ Employees' and managers' shares in results	6,896	5,723	20.5
+ Financial revenues (expenses)	78,103	50,190	55.61
+ Depreciation and amortization	69,171	56,026	23.46
= EBITDA	<b>542,369</b>	<b>480,994</b>	<b>12.76</b>
<b>Non-recurring items*:</b>			
+ The PDV and PPD Voluntary Retirement Programs	3,154	(322)	-
= Adjusted EBITDA	<b>545,523</b>	<b>480,672</b>	<b>13.49</b>

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

The higher EBITDA in 1Q10 than in 1Q09 mainly reflects net revenue 16.79% higher, partially offset by operational expenses (excluding effects of depreciation and amortization) 24.64% higher.

EBITDA margin was 63.84% in 1Q10, slightly lower than in 1Q09 (66.12%).

## — Deductions from operational revenues

Consolidated			
	31/3/2010	31/3/2009	Δ%
Taxes on revenue			
ICMS	81,333	81,483	(0.2)
COFINS	76,346	60,744	26
PIS-PASEP	16,574	13,185	26
ISSQN	137	113	21
	<b>174,390</b>	<b>155,525</b>	<b>12</b>
Consumer charges			
Global Reversion reserve – RGR	23,104	19,769	17
Energy Development Account - CDE	8,588	5,796	48
Fuel Consumption Account- CCC	7,223	5,349	35
Research and Development	3,531	2,822	25
National Scientific and Technological Development Fund –FNDCT	2,937	2,822	4
Energy system expansion research - EPE	1,469	1,468	0.1
Emergency Acquisition Charge	5,420	4,788	13
	<b>52,272</b>	<b>42,814</b>	<b>22</b>
	<b>226,662</b>	<b>198,339</b>	<b>14</b>

Deductions from operational revenues in 1Q10 totaled R\$ 226,662, 14.28% higher than in 1Q09 (R\$ 198,339). The main variations between the two years are as follows:

### The Fuel Consumption Account – CCC

The deduction from revenue for the CCC was R\$ 7,223 in 1Q10, compared to R\$ 5,349 in 1Q09, representing an increase of 35.03%. 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. Cemig GT merely passes through this cost, to Eletrobrás, after charging it to Free Consumers on their invoices for use of the grid.

## Energy Development Account – CDE

The deduction from revenue for the CDE was R\$ 8,588 in 1Q10, 48.17% higher than in 1Q09 (R\$ 5,796). These payments are specified by a Resolution issued by the regulator, ANEEL. Cemig GT merely passes on this cost, to Eletrobrás, after charging it to Free Consumers on their invoices for use of the grid.

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)

	1Q10	1Q09	Change %
Personnel expenses	72,087	68,795	5
Post-employment obligations	7,728	7,333	5
Materials	4,099	2,949	39
Outsourced services	34,864	24,537	42
Depreciation and amortization	69,171	56,026	23
Royalties for use of water resources	35,385	34,767	2
Operational provisions	(427)	(252)	69
Charges for the use of the basic transmission grid	64,148	72,294	(11)
Electricity bought for resale	73,773	27,190	171
Other expenses, net	15,578	8,884	75
<b>Total</b>	<b>376,406</b>	<b>302,523</b>	<b>24</b>

The main variations in operational expenses were:

## — Electricity bought for resale

The expense on electricity bought for resale in 1Q10 was R\$ 73,773, 171.32% more than in 1Q09, when it was R\$ 27,190. The difference reflects higher purchases of electricity, reflecting higher sales activity.

## — Outsourced services

The expense on outsourced services in 1Q10 was R\$ 34,864, 42.09% higher than in 1Q09 (R\$ 24,537), mainly due to higher expenditure on maintenance and conservation of electricity facilities, and consultancy services.

- Expenses on consultancy services were R\$ 6,525 in 1Q10, which is 559.76% more than in 1Q09 (R\$ 989). The majority of these expenses were for contracting of services related to analysis of acquisitions of new projects.
- The expense on maintenance and conservation of electrical facilities and equipment in 1Q10 was R\$ 3,448, an increase of 66.97% from 1Q09 (R\$ 2,065). This variation arises principally from the Company's higher volume of activity; adjustment of contracts; and consolidation of the companies acquired in the second half of 2009.

A breakdown of outsourced services is given in Explanatory Note 24 to the Quarterly Information.

## — Depreciation and amortization

The expense on depreciation and amortization in 1Q10 was R\$ 69,171, 23.46% more than the expense of R\$ 56,026 posted for 1Q09.

This increase is substantially due to the consolidation of the companies acquired in the second half of 2009.

## — Other operational expenses

Operational expenses in 1Q10 totaled R\$ 15,579, 75.36% more than in 1Q09 (R\$ 8,884).

This reflects the increased expenditure on paid concessions, leasing and rentals, and insurance.

## — Financial revenues (expenses)

	1Q10	1Q09	Change, %
<b>FINANCIAL REVENUES</b>			
Revenue from cash investments	66,056	28,908	129
Arrears penalty payments on electricity bills	2,798	708	295
Monetary updating on items under the General Agreement for the Electricity Sector	(588)	1,211	(149)
FX variations	825	10580	(92)
PASEP and COFINS taxes on financial revenues	(183)	(112)	63
Gains on financial instruments (Note 27)	347	820	(58)
Adjustment to present value	5,285	614	761
Other	5,413	5,925	(9)
	<b>79,953</b>	<b>48,654</b>	<b>64</b>
<b>FINANCIAL EXPENSES</b>			
Charges on loans and financings	(140,397)	(80,848)	74
Monetary updating on loans and financings	(12,673)	-	-
FX variations	(729)	(2)	36,350
Monetary updating - CCEE	-	(2,532)	-
Losses on financial instruments (Note 27)	(381)	(20,517)	(98)
Provisions for losses on "Free Energy" transactions	-	8,722	-
Adjustment to present value	(428)	(2,107)	(80)
Other	(3,448)	(1,560)	121
	<b>(158,056)</b>	<b>(98,844)</b>	<b>60</b>
<b>NET FINANCIAL EXPENSES</b>	<b>(78,103)</b>	<b>(50,190)</b>	<b>56</b>



The company posted net financial expenses of R\$ 78,103 in 1Q10, 55.61% more than the net financial expenses reported for 1Q09, of R\$ 50,190. The items comprising the financial result with the highest variations are listed below:

- Revenue from cash investments 128.50% higher, at R\$ 66,056 in 1Q10, compared to R\$ 28,908 in 1Q09. This is due to the higher volume of cash invested in 1Q10.
- An expense of R\$ 12,673 on monetary updating on loans and financings in Brazilian currency, in 1Q10. The increase is mainly due to the change in the behavior of the IGP-M inflation index: the variation in the IGP-M was 0.9153% negative over the first quarter of 2009, and 2.7798% positive over the first quarter of 2010.
- Expenses on charges for loans and financing amounting to R\$ 140,397 million in 1Q10, compared to R\$ 80,848 in 1Q09. This reflects the entry of new funds, mainly from the Company's debenture issue in 1Q10.

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

In 1Q10, Cemig GT posted expenses for income tax and the Social Contribution tax totaling R\$ 132,046, representing 33.42% of the pre-tax profit of R\$ 395,095. In the first quarter of 2009, the company had posted expenses on income tax and Social Contribution tax of R\$ 136,642, representing an effective tax rate of 36.46% on the pre-tax profit of R\$ 374,778. These effective rates are reconciled with the nominal rates in Explanatory Note 9 to the Quarterly Information.

## — 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 GT – Tables I to III

### Chart I

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

	1st Q. 2010	1st Q. 2009	chge%
Sales to end consumers	470	412	14%
Supply	364	357	2%
CCEE	232	151	54%
Others	10	5	100%
<b>Subtotal</b>	<b>1.076</b>	<b>925</b>	<b>16%</b>
Deductions	(226)	(198)	14%
<b>Net Revenues</b>	<b>850</b>	<b>727</b>	<b>17%</b>

### Chart II

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

	1st Q. 2010	1st Q. 2009	chge%
Personnel	72	69	4%
Depreciation and Amortization	69	56	23%
Charges for Use of Basic Transmission Network	64	72	-11%
Contracted Services	35	24	46%
Forluz – Post-Retirement Employee Benefits	8	7	14%
Materials	4	3	33%
Royalties	35	35	0%
Operating Provisions	-	-	0%
Other Expenses	-	9	0%
Purchased Energy	74	27	174%
Raw material for production	15	-	0%
<b>Total</b>	<b>376</b>	<b>302</b>	<b>25%</b>

### Chart III

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

	1st Q. 2010	1st Q. 2009	chge%
Net Revenue	850	727	17%
Operating Expenses	(376)	(302)	25%
<b>EBIT</b>	<b>474</b>	<b>425</b>	<b>12%</b>
<b>EBITDA</b>	<b>543</b>	<b>481</b>	<b>13%</b>
Financial Result	(78)	(50)	56%
Provision for Income Taxes, Social Cont & Deferred Income Tax	(133)	(137)	-3%
Employee Participation	(7)	(6)	17%
<b>Net Income</b>	<b>256</b>	<b>232</b>	<b>10%</b>