Cemig D

EARNINGS RELEASE

2Q 2010

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

Electricity sold to final consumers (MWh)

(Data not reviewed by external auditors)

	MWh (*)			R$		
	2Q10	2Q09 Reclassified	Change, %	2Q10	2Q09 Reclassified	Change, %
Residential	2,009,502	1,956,115	2.73	970,673	907,721	6.94
Industrial	1,160,467	1,177,292	(1.43)	419,269	420,447	(0.28)
Commercial, services and others	1,187,752	1,153,229	2.99	530,515	505,725	4.90
Rural	604,722	518,071	16.73	153,064	134,446	13.85
Public authorities	197,410	179,525	9.96	85,182	77,168	10.39
Public illumination	266,131	261,392	1.81	69,003	66,535	3.71
Public service	274,904	264,632	3.88	80,471	77,652	3.63
Subtotal	**5,700,888**	**5,510,256**	**3.46**	**2,308,177**	**2,189,694**	**5.41**
Own consumption	9,282	8,556	8.49	-	-	-
Subsidy for low-income consumers	-	-	-	9,309	33,098	(71.87)
Uninvoiced supply, net	-	-	-	(15,306)	(7,073)	116.40
Effect of the Final Tariff Review	-	-	-	5,146	61,010	(91.57)
Additional charge – Law 12111/09	-	-	-	(1,382)	-	-
	5,710,170	5,518,812	3.47	2,305,944	2,276,729	1.28
Transactions in electricity on CCEE (**)	654,191	(90,075)	-	3,064	475	545.05
Total	**6,364,361**	**5,428,737**	**-**	**2,309,008**	**2,277,204**	**1.40**

Revenue from supply of electricity in 2Q10 was R$ 2,309,008, 1.40% more than in 2Q09 (R$ 2,277,204).

The main factors affecting revenue in 2Q10 were:

- Tariff Adjustment with average impact on consumer tariffs of 1.67%, starting from April 8, 2010.

- Volume of energy invoiced to final consumers 3.46% higher (this excludes Cemig's own internal consumption).

Operational revenue

Revenue from use of the network – Free Consumers

This refers to the TUSD, charged to Free Consumers on energy sold mainly by Cemig GT (Generation and Transmission). It was 54.15% higher in 2Q10, at R$ 425,961, than in 2Q09 (R$ 276,337). This variation arises principally from the increase in the volume transported, as a result of the migration of captive consumers to the status of free consumers, and also from the greater industrial activity in 2010 as a result of the recovery in the economy.

Net result in the period

In the second quarter of 2010, Cemig D reported a net loss of R$ 10,818, compared to net income of R$ 48,052 in the second quarter of 2009. This was principally due to the effect of a settlement with RIMA Industrial S.A., resulting in an expense of R$ 177,592, and to financial expenses of

R$ 46,099 in 2Q10, compared to financial revenue of R$ 512 in 2Q10.

Please see the comments on the variation in Financial revenue (expenses) below in this report.

Ebitda
(method of calculation not reviewed by external auditors)

Cemig D's Ebitda in the second quarter of 2010 was not significantly different from that of 2Q09. Adjusted for non-recurring items, it was 23.34% higher.

EBITDA - R$ '000	2Q10	2Q09	Change, %
Net income	(10,818)	48,052	-
- + Income tax and Social Contribution tax	(29,665)	(17,442)	70.08
+ Profit shares	30,246	18,817	60.74
+ – Financial revenues (expenses)	46,099	(512)	-
+ Depreciation and amortization	94,717	81,776	15.82
= EBITDA	**130,579**	**130,691**	**(0.09)**
Non-recurring items:			
+ Settlement with RIMA Industrial S.A.	177,592	-	-
+ ICMS tax: low-income consumers	25,702	-	-
+ PDV and PPD Voluntary Retirement Programs	11,677	149,471	(92.19)
= ADJUSTED EBITDA	**345,550**	**280,162**	**23.34**

2Q10 Ebitda at the same level as in 2Q09 mainly reflects net operational revenues being 5.22% higher, offset by operational costs and expenses being 5.69% higher (excluding effects of depreciation and amortization).

The higher total of operational costs and expenses in 2Q10 was basically due to the non-recurring adjustments, as follows:

- Recognition of an expense of R$ 177,592, arising from the settlement of a legal action brought by RIMA Industrial S.A., for reimbursement of the tariff increase introduced by the DNAEE during the Cruzado economic plan.

- Recognition of an ICMS tax expense relating to the subsidy for the discount on tariffs for low-income consumers, in the amount of R$ 25,702, resulting from the decision to subscribe to the Tax Amnesty program put in place by the government of the State of Minas Gerais.

- Provisions, in 2010 and 2009, of R$ 11,677, and R$ 149,471, respectively, for the Company's Voluntary Retirement Program.

The higher operational costs and expenses in 2Q10 than in 2Q09 are reflected in Ebitda margin, which was 7.81% in 2010, vs. 8.22% in 2Q09.

Adjusted for non-recurring items, Ebitda margin accompanied the increase in Ebitda, at 20.69% in 2Q10, compared to 17.63% in 2Q09.

— Deductions from operational revenues

	2Q10	2Q09	Change, %
Taxes on revenue:			
ICMS tax	545,973	512,566	6.52
COFINS tax	209,927	190,265	10.33
PIS and PASEP taxes	45,577	41,307	10.34
ISS value added tax on services	126	92	36.96
	801,603	744,230	7.71
Charges to the consumer:			
Global Reversion Reserve – RGR	12,269	17,557	(30.12)
Energy Efficiency Program – P.E.E.	9,241	8,396	10.06
CDE – Energy Development Account	94,050	85,162	10.44
Fuel Consumption Account – CCC	150,291	118,302	27.04
Research and Development – P&D	3,696	3,357	10.10
National Scientific and Technological Development Fund	3,696	3,352	10.26
Energy System Expansion Research – EPE	1,849	1,676	10.32
Additional charges under Law 12111/09	5,545	-	-
	280,637	237,802	18.01
	1,082,240	**982,032**	**10.20**

The main variations in deductions from revenue between the two years are as follows:

The Fuel Consumption Account – CCC

The deduction from revenue for the CCC was R$ 150,291 in 2Q10, 27.04% more than in 2Q09 (R$ 118,302). This charge is 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. This is a non-controllable cost, the same amount deducted from revenue is passed on to the tariff.

CDE – Energy Development Account

The deduction from revenue for the CDE in 2Q10 was R$ 94,050, 10.44% higher than in 2Q09 (R$ 85,162). These payments are specified by a Resolution issued by the regulator, ANEEL. 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 basically taxes, calculated as a percentage of amounts invoiced. Hence their year-on-year variations are directly proportional to the change in revenue.

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

Operational costs and expenses (excluding Financial revenue (expenses)) totaled R$ 1,610,889 in 2Q10, 4.56% more than in 2Q09 (R$ 1,540,575). This result is mainly due to *Other expenses, net* being 290.35% higher than in 2Q09, partially offset by Personnel expenses being 41.46% lower year-on-year.

The main variations in operational expenses were:

Electricity bought for resale

The expense on electricity bought for resale in 2Q10 was R$ 692,081, 6.20% less than the expense of R$ 737,859 in 2Q09. This is a non-controllable cost: the expense recognized in the income statement is the amount passed on to the tariff.

Charges for the use of the basic transmission grid

Expenses on charges for the use of the transmission grid were R$ 169,005 in 2Q10, 24.84% more than in 2Q09 (R$ 135,377). This expense is for the charges payable by electricity distribution and generation agents for use of the facilities that are components of the national grid, as set 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.

Operational provisions

Expenses on operational provisions in 2Q10 were R$ 219,594, compared to R$ 8,739 in 2Q09. This amount arises primarily from the settlement to terminate a legal action brought by an industrial consumer relating to the tariff increase ordered by DNAEE Ministerial Order 045/86, in the amount of R$ 177,592, provisioned in May 2010.

Post-employment obligations

Expenses on post-employment obligations totaled R$ 25,902 in 2Q10, 12.91% higher than in 2Q09 (R$ 22,940). 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 higher expense in 2Q10 basically reflects lower expectation of revenue from the plan's assets in 2010.

Personnel

Personnel expenses totaled R$ 190,684 in 2Q10, 41.46% less than in 2Q09 (R$ 325,747). This is due, substantially, to recognition of an expense of R$ 11,677 on the Voluntary Retirement Program in 2Q10, as compared to an expense of R$ 149,471 in 2Q09.

Depreciation and amortization

Depreciation and amortization expenses in 2Q10 totaled R$ 94,717, 15.82% more than in 2Q09 (R$ 81,776). This result arises substantially from the increase in fixed assets due to new investments made in the *Clarear, CresceMinas* and *Luz para Todos* ("Light For Everyone") programs; and also to amortization of intangible assets represented by the Company's new client invoicing software.

— Financial revenues (expenses)

	2Q10	2Q09 Reclassified	Change, %
FINANCIAL REVENUES			
Revenue from cash investments	12,095	8,644	39.92
Arrears penalty payments on electricity bills	29,176	25,935	12.50
Monetary updating of CVA	2,145	9,573	(77.59)
Monetary updating on items under the General Agreement for the Electricity Sector	2,634	10,234	(74.26)
FX variations	189	49,113	(99.62)
PASE and COFINS taxes on financial revenues	554	(3)	-
Monetary variations	17,153	6,147	179.05
Other	3,524	4,405	(20.00)
	67,470	**114,048**	**(40.84)**
FINANCIAL EXPENSES			
Charges on loans and financings	(63,217)	(59,356)	6.50
Monetary updating of CVA	(5,057)	1,802	(380.63)
FX variations	(326)	(12,753)	(97.44)
Monetary updating on loans and financings	(14,776)	(5,167)	185.97
Losses on financial instruments (Note 25)	(3,275)	(27,500)	(88.09)
Monetary variation on R&D and P.E.E.	(5,703)	(5,490)	3.88
Other	(21,215)	(5,072)	318.28
	(113,569)	**(113,536)**	**0.03**
	(46,099)	**512**	**-**

The main variations in Financial revenues (expenses) between 2Q09 and 2Q10 are:

- Revenue from net monetary updating on revenue from Regulatory Assets (CVA, and the General Agreement for the Electricity Sector) R$ 21,886 lower – since the size of the asset is being reduced as amounts owed are received through electricity invoices;

- Higher expense on monetary variation on loans and financings in Brazilian currency, at R$ 14,776 in 2Q10, compared to R$ 5,167 in 2Q09, due mainly to the IGP-M inflation index being positive in 2Q10 (+2.83%), as opposed to negative (–0.32%) in 2Q09;

- Net loss on FX variations in 2Q10, in the amount of R$ 3,412, net of the compensatory effects relating to financial instruments, which compares to a net gain of R$ 8,860 in 2Q09, arising basically from loans and financings in foreign currency indexed to the US dollar. This mainly reflects the variation in the Real/dollar exchange rate: in 2Q10 the dollar appreciated by 1.15% against the Real, while in 2Q09 it depreciated by 15.70%.

— Income tax and Social Contribution tax

In 2Q10, Cemig D had negative expenses on income tax and the Social Contribution tax – net tax benefits on these two taxes – totaling R$ 29,665, on the loss of R$ 10,237, before tax effects. In 2Q09, Cemig D also had negative expenses on income tax and the Social Contribution tax – net tax benefits on these two taxes – totaling R$ 17,442, while pre-tax profit was R$ 49,427.

— 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. Actual future results may differ materially from those expressed or implicit in such statements.

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CEMIG D – Tables I to IV

Chart I

CEMIG D Market				
	(GWh)			GW
Quarter	**Captive Consumers**	**TUSD ENERGY[1]**	**T.E.D[2]**	**TUSD PICK[3]**
1Q09	5.448	3.269	8.717	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
1Q10	5.613	4.385	9.998	23,2
2Q10	5.710	4.914	10.625	23,8

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").

Chart II

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

	2nd Q. 2010	2nd Q. 2009	Chge%	1st H. 2010	1st H. 2009	Chge%
Sales to end consumers	2.308	2.189	5	4.615	4.135	12
TUSD	426	276	54	754	538	40
Subtotal	2.734	2.465	11	5.369	4.673	15
Others	20	106	(81)	215	(6)	(3.683)
Subtotal	**2.754**	**2.571**	**7**	**5.584**	**4.667**	**20**
Deductions	(1.082)	(982)	10	(2.171)	(1.893)	15
Net Revenues	**1.672**	**1.589**	**5**	**3.413**	**2.774**	**23**

Chart III

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

	2nd Q. 2010	2nd Q. 2009	Chge%	1st H. 2010	1st H. 2009	Chge%
Purchased Energy	692	738	(6)	1.569	1.244	26
Personnel/Administrators/Councillors	190	326	(42)	388	513	(24)
Depreciation and Amortization	95	82	16	188	163	15
Charges for Use of Basic Transmission Network	169	135	25	336	255	32
Contracted Services	144	143	1	266	248	7
Forluz – Post-Retirement Employee Benefits	26	23	13	52	46	13
Materials	23	20	15	45	41	10
Operating Provisions	219	9	2.333	233	24	871
Other Expenses	78	65	20	121	94	29
Total	**1.636**	**1.541**	**6**	**3.198**	**2.628**	**22**

Chart IV

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

	2nd Q. 2010	2nd Q. 2009	Chge%	1st H. 2010	1st H. 2009	Chge%
Net Revenue	1.672	1.589	5	3.413	2.775	23
Operating Expenses	(1.636)	(1.540)	6	(3.198)	(2.628)	22
EBIT	**36**	**49**	**(27)**	**215**	**147**	**46**
EBITDA	**131**	**144**	**(9)**	**403**	**335**	**20**
Financial Result	(46)	1	(4.700)	(69)	(7)	886
Provision for Income Taxes, Social Cont & Deferred Income Tax	30	17	76	(15)	(1)	1.400
Employee Participation	(31)	(19)	63	(59)	(51)	16
Net Income	**(11)**	**48**	**(123)**	**72**	**88**	**(18)**