ENERGY CO OF MINAS GERAIS
Form 6-K
June 15, 2012

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of June 2012

Commission File Number 1-15224

Energy Company of Minas Gerais

(Translation of Registrant s Name Into English)

Avenida Barbacena, 1200

30190-131 Belo Horizonte, Minas Gerais, Brazil

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F _X_ Form 40-F __

Indicate by check mark if the registrant is submitting the Form 6-K in paper
as permitted by Regulation S-T Rule 101(b)(1): ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper
as permitted by Regulation S-T Rule 101(b)(7): ____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ___ No _X_

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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Forward-Looking Statements

This report contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. Actual results could differ materially from those predicted in such forward-looking statements. Factors which may cause actual results to differ materially from those discussed herein include those risk factors set forth in our most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. CEMIG undertakes no obligation to revise these forward-looking statements to reflect events or circumstances after the date hereof, and claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

By:	/s/ Arlindo Porto Neto	
	Name:	Arlindo Porto Neto
	Title:	Acting Chief Officer for Finance and Investor Relations

Date: June 15, 2012

1. Summary of Principal Decisions of the 536th Meeting of the Board of Directors, May 24, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

LISTED COMPANY

CNPJ 17.155.730/0001-64 NIRE 31300040127

Summary of principal decisions

At its 536th meeting, held on May 24, 2012, the Board of Directors of Cemig (Companhia Energética de Minas Gerais) decided the following matters:

1. Signature, as guarantor, with the Brazilian Development Bank (BNDES), of an amendment to a financing contract between Norte Energia S.A. and Caixa Econômica Federal (Federal Savings Bank).

2. Concession of a guarantee to a loan contracted by Cemig D.

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2. Summary of Principal Decisions of the 537th Meeting of the Board of Directors, May 24, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS   CEMIG

LISTED COMPANY

CNPJ 17.155.730/0001-64   NIRE 31300040127

Summary of principal decisions

At its 537th meeting, held on May 24, 2012, the Board of Directors of Cemig (Companhia Energética de Minas Gerais) decided the following matters:

1. Signature of a real estate rental contract with Companhia de Gás de Minas Gerais Gasmig.

2. Constitution of consortium by Cemig GT / Re-ratification of Board Spending Decision (CRCA).

3. Limits of financial covenants in the by-laws.

4. Convocation of EGM to decide on limits for financial covenants in the by-laws.

5. Change in the composition of the committees of the Board of Directors.

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3. Summary of Principal Decisions of the 538th Meeting of the Board of Directors, June 5, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS   CEMIG

LISTED COMPANY

CNPJ 17.155.730/0001-64

NIRE 31300040127

Summary of principal decisions

The Board of Directors of **Cemig** (*Companhia Energética de Minas Gerais*), at its 538th meeting, held on June 5, 2012, decided the following:

1. Signature, as guarantor, with the Brazilian Development Bank (BNDES), of an amendment to a financing contract between Norte Energia S.A. and Caixa Econômica Federal (Federal Savings Bank) / Re-ratification of a Board Spending Decision (CRCA).

2. Granting of a guarantee for an issue of Promissory Notes by Cemig D.

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4. Summary of Principal Decisions of the 539th Meeting of the Board of Directors, June 14, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

LISTED COMPANY

CNPJ 17.155.730/0001-64

NIRE 31300040127

Summary of principal decisions

The Board of Directors of **Cemig** (*Companhia Energética de Minas Gerais*), at its 539th meeting, held on June 14, 2012, decided the following:

1. Signature of amendments to contracts, with Sul América Seguros de Vida e Previdência S.A., and allocation of funding availability, in 2012, in relation to the MSO.

2. Contracting of group life insurance.

3. Orientation of vote in a meeting of the Board of Directors of Light S.A.

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5. Summary of Minutes of the 535th Meeting of the Board of Directors, May 17, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

LISTED COMPANY

CNPJ 17.155.730/0001-64 NIRE 31300040127

BOARD OF DIRECTORS

SUMMARY OF MINUTES

OF THE 535TH MEETING

Date, time and place: May 17, 2012 at 4 p.m. at the company s head office, Av. Barbacena 1200, 21th Floor, Belo Horizonte, Minas Gerais, Brazil.

Meeting Committee:	Chairs:	Dorothea Fonseca Furquim Werneck, Guy Maria Villela Paschoal;
	Secretary:	Anamaria Pugedo Frade Barros

Summary of proceedings:

I **Conflict of interest:** The Chair asked the Board Members present whether any of them had conflict of interest in relation to the matters on the agenda, and all stated there was no such conflict of interest, except:

- the Board member Christiano Miguel Moisés, who said he had conflict of interest in the matter of the transfer of the holdings of Cemig and Cemig GT in the companies of the TBE Group to Transmissora Aliança de Energia Elétrica S.A. Taesa;

- and the Board members

Dorothea Fonseca Furquim Werneck,	João Camilo Penna,
Djalma Bastos de Morais,	Maria Estela Kubitschek Lopes,
Antônio Adriano Silva,	Fernando Henrique Schüffner Neto,
Arcângelo Eustáquio Torres Queiroz,	Lauro Sérgio Vasconcelos David, and
Francelino Pereira dos Santos,	Paulo Sérgio Machado Ribeiro,

who said they had conflict of interest in the matter of signature, with the State of Minas Gerais, and with the Cemig Receivables Investment Fund (the Cemig FIDC) of the Term of Agreement and Full Settlement of the CRC Account Balance (the CRC Contract Settlement Agreement).

II **Scrutiny:** The Chair reported that the Strategy Committee of the Board of Directors had examined all the matters on the agenda, and recommended approval of all of them.

III **The Board approved:**

a) The proposal of the Board member Saulo Alves Pereira Junior to elect Ms. Dorothea Fonseca Furquim Werneck as Chair of the Board, and Mr. Djalma Bastos de Morais as Vice-chair, for two years, that is to say, until the first meeting of the Board of Directors after the Annual General Meeting of 2014.

b) The proposal of the Chair to elect the following persons to the following positions as members of the Executive Board, with a period of office of three years, that is to say, up to the first meeting of the Board of Directors held after the Annual General Meeting of 2015:

Chief Executive Officer:	**Djalma Bastos de Morais;**
Deputy CEO:	**Arlindo Porto Neto;**
Chief Trading Officer:	**José Raimundo Dias Fonseca;**
Chief Distribution and Sales Officer:	**José Carlos de Mattos;**
Finance and Investor Relations Officer:	**Luiz Fernando Rolla;**
Chief Generation and Transmission Officer:	**Luiz Henrique de Castro Carvalho;**
Chief Corporate Management Officer:	**Frederico Pacheco de Medeiros;**
Chief Business Development Officer:	**Fernando Henrique Schüffner Neto;**
Chief Officer for the Gas Division:	**Fuad Jorge Noman Filho;**
Chief Counsel:	**Maria Celeste Morais Guimarães;**
Chief Institutional Relations and Communication Officer:	**Luiz Henrique Michalick.**

c) The minutes of this meeting.

IV The Board authorized:

a) Signature of the Private Contract for Investment in Transmission Assets under which the minority equity interests held by Cemig and Cemig GT in the share capital of the following holders of public electricity service concessions (the companies of the TBE Group) will be transferred to Transmissora Aliança de Energia Elétrica S.A. Taesa:

Empresa Catarinense de Transmissão de Energia S.A.	ECTE,
Empresa Regional de Transmissão de Energia S.A.	ERTE,
Empresa Norte de Transmissão de Energia S.A.	ENTE,
Empresa Paranaense de Transmissão de Energia S.A.	ETEP,
Empresa Amazonense de Transmissão de Energia S.A.	EATE, and
Empresa Brasileira de Transmissão de Energia S.A.	EBTE.

Within the scope of this transaction (the Stockholding Restructuring), **Taesa** will disburse

- one billion seven hundred thirty two million Reais,

adjusted by the CDI rate from December 31, 2011, less any dividends and/or Interest on Equity declared, whether paid or not, as follows:

- one billion six hundred sixty seven million eight hundred ninety five thousand Reais to **Cemig**; and

- sixty four million one hundred five thousand Reais to **Cemig GT**.

The amount involved was agreed by the companies based on technical evaluations contracted from independent external valuers. The Stockholding Restructuring has been previously submitted to the Board of Directors of Taesa for their approval, and is further subject to approval by the General Meeting of Stockholders of that company. In accordance with Article 155 of the Corporate Law, both Cemig GT, and those members of the Board of Directors of Taesa nominated by it, did not take part in, and will not take part in, any decision on this matter.

The Stockholding Restructuring is in accordance with Cemig s strategic planning, which aims to consolidate the Company s holdings in electricity transmission companies in a single corporate vehicle, and also to optimize assessment of opportunities in future auctions of transmission lines and acquisition of assets in operation, in such a way as to add greater value for stockholders.

With the implementation of the Stockholding Restructuring, Taesa will have an interest in 9,378 km of transmission lines, resulting in an addition of 3,127 km, strengthening its capacity for generation of cash and profits for stockholders. The Stockholding Restructuring will be submitted for approval to the Brazilian antitrust bodies, including CADE (*Conselho Administrativo de Defesa Econômica*) in the form and within the period specified by the respective legislation; and its conclusion will be subject to obtaining of the relevant prior approvals, which include the consent of the Brazilian National Electricity Agency, Aneel, and of the financing banks, in particular the Brazilian Development Bank (BNDES).

The above named companies have informed the public that implementation of the Stockholding Restructuring will not give the stockholders of Taesa the right to withdraw.

b) Signature, with the State of Minas Gerais and with the Cemig CRC Account Receivables Investment Fund (*Fundo de Investimento em Direitos Creditórios Conta CRC* the Cemig FIDC) of the Term of Agreement and Full Settlement of the CRC Account Balance (the **CRC Contract Settlement Agreement**), which provides for early payment by the State of Minas Gerais of the amount of the debt arising from the **CRC Agreement** (*Termo de Contrato de Cessão de Crédito do Saldo Remanescente da Conta de Resultados a Compensar* CRC), as amended by its five amendments.

The general terms of the **CRC Contract Settlement Agreement** provide for a discount of 35% to be applied to the updated amount of the debtor balance.

For the **CRC Contract Settlement Agreement** to be entered into, the FIDC will require authorization by a General Meeting of its Unit Holders. The Company will take part in this meeting, because it is a holder of subordinated units in that Fund. Once the total early settlement has been made, the senior units of the FIDC will be redeemed in full and the Stockholders equity of the Fund will be linked to the subordinated units, owned by the Company, which will be able to redeem them.

V **Conflict of interest:** The Board member Christiano Miguel Moisés withdrew from the meeting room at the time of the debate on the transfer of the holdings of Cemig and Cemig GT in the companies of the TBE Group to Transmissora Aliança de Energia Elétrica S.A. Taesa, since he believed there was a conflict of interest in the matter, returning to the meeting room only after decision on that matter by the other Board members.

VI **Conflict of interest:** The Board members:

Dorothea Fonseca Furquim Werneck,	João Camilo Penna,
Djalma Bastos de Morais,	Maria Estela Kubitschek Lopes,
Antônio Adriano Silva,	Fernando Henrique Schüffner Neto,
Arcângelo Eustáquio Torres Queiroz,	Lauro Sérgio Vasconcelos David, and

Francelino Pereira dos Santos,	Paulo Sérgio Machado Ribeiro

withdrew from the meeting room at the time of discussion of the item relating to the signature, with the State of Minas Gerais and with the Cemig FIDC, of the CRC Contract Settlement Agreement, because they believed there was conflict of interest on the matter, and returned to the meeting room only after the decision on the subject by the other Board members.

The following were present:

Board members:	Dorothea Fonseca Furquim Werneck,	Saulo Alves Pereira Junior,
	Djalma Bastos de Morais,	Paulo Márcio de Oliveira Monteiro,
	Antônio Adriano Silva,	Newton Brandão Ferraz Ramos,
	Arcângelo Eustáquio Torres Queiroz,	Tarcísio Augusto Carneiro,
	Francelino Pereira dos Santos,	Bruno Magalhães Menicucci,
	Guy Maria Villela Paschoal,	Christiano Miguel Moisés,
	João Camilo Penna,	Fernando Henrique Schüffner Neto,
	Maria Estela Kubitschek Lopes,	José Augusto Gomes Campos,
	Paulo Roberto Reckziegel Guedes,	Lauro Sérgio Vasconcelos David,
		Paulo Sérgio Machado Ribeiro.
Secretary:	Anamaria Pugedo Frade Barros	

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6. Summary of Minutes of the 536th Meeting of the Board of Directors, May 24, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

LISTED COMPANY

CNPJ 17.155.730/0001-64 NIRE 31300040127

BOARD OF DIRECTORS

SUMMARY OF MINUTES

OF THE 536TH MEETING

Date, time and place:	May 24, 2012 at 1.30 p.m., at the Company s head office, Av. Barbacena 1200, 21st Floor, Belo Horizonte, Minas Gerais, Brazil.	
Meeting Committee:	Chair:	Dorothea Fonseca Furquim Werneck;
	Secretary:	Anamaria Pugedo Frade Barros.

Summary of proceedings:

I **Conflict of interest:** The Chair asked the Board members present whether they had any conflict of interest in the matters on the agenda of this meeting, and all said there was no such conflict of interest.

II **The Board approved** the minutes of this meeting.

III **The Board authorized:**

a) Signature by the Company, as **guarantor**, of the First Amendment to the Financing Line Agreement for Contracted Onlending with the Brazilian Development Bank (BNDES) between **Norte Energia** S.A. and the Federal Savings Bank (CEF), to change the end of the grace period from June 15 to October 15, 2012, and the period of maturity (amortization) and of concession of a proportional non-joint corporate guarantee related to the obligations of Norte Energia S.A., limited to 7.28% of the amount of the Onlending Contract, from July 15 to November 16, 2012 or until the date of the first disbursement of the credit to be opened by the BNDES for Norte Energia S.A. through a Long-term Financing Agreement, whichever is the earlier.

b) Provision of a **surety guarantee** by the Company in the contracting by Cemig Distribuição S.A. **Cemig D** with **Banco do Brasil** S.A. of a loan transaction under a Bank Lending Note (*Cédula de Crédito Bancário)*, on the following terms:

Amount:	R$ 200 million.
Tenor:	Five years.
Financial charges:	108.33% of the CDI (Interbank CD) rate, charged annually, with no grace period.
Amortization of principal:	In three annual payments, after a grace period of two years.
Additional costs:	the IOF Tax on Financial Transactions; the additional IOF tax (0.0041%/day, limited to 365 days, plus additional 0.38% flat rate, as per the current legislation); and structuring fee of 0.15% on the amount released, paid on release of the funds.
Guarantee:	Surety guarantee from Companhia Energética de Minas Gerais Cemig (which has the function of holding company).

IV **Discussion:** The Chair made comments on a matter of interest to the Company.

The following were present:

Board members:	Dorothea Fonseca Furquim Werneck,	Fernando Henrique Schüffner Neto,
	Djalma Bastos de Morais	Franklin Moreira Gonçalves,
	Antônio Adriano Silva,	Newton Brandão Ferraz Ramos,
	Eduardo Borges de Andrade,	Bruno Magalhães Menicucci,
	Guy Maria Villela Paschoal,	Christiano Miguel Moisés,
	João Camilo Penna,	José Augusto Gomes Campos,
	Paulo Roberto Reckziegel Guedes,	Lauro Sérgio Vasconcelos David,
	Saulo Alves Pereira Junior,	Paulo Sérgio Machado Ribeiro,
	Adriano Magalhães Chaves,	Tarcísio Augusto Carneiro;
Secretary:	Anamaria Pugedo Frade Barros.	

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7. Summary of Minutes of the 537th Meeting of the Board of Directors, May 24, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

LISTED COMPANY

CNPJ 17.155.730/0001-64 NIRE 31300040127

BOARD OF DIRECTORS

SUMMARY OF MINUTES

OF THE 537TH MEETING

Date, time and place: May 24, 2012 at 3.40 p.m. at the company s head office,
Av. Barbacena 1200, 21th Floor, Belo Horizonte, Minas Gerais, Brazil.

Meeting Committee: Chairman: Dorothea Fonseca Furquim Werneck;
Secretary: Anamaria Pugedo Frade Barros

Summary of proceedings:

I **Conflict of interest:** The Chair asked the Board members present whether they had any conflict of interest in the matters on the agenda of this meeting, and all said there was no such conflict of interest, except the Board members

Eduardo Borges de Andrade,	Paulo Roberto Reckziegel Guedes,
Saulo Alves Pereira Junior,	Newton Brandão Ferraz Ramos,
Bruno Magalhães Menicucci,	José Augusto Gomes Campos and
Tarcísio Augusto Carneiro,	

who stated that they had conflict of interest in relation to the replacement of CPFL Energia S.A. by CPFL Geração de Energia S.A. in the consortium that will take part in the contracting of electricity generated by the São Manoel Hydroelectric Plant.

II The Board approved:

a) The proposal by Board member Lauro Sérgio Vasconcelos David that the members of the Board of Directors should authorize their Chairman to call an Extraordinary General Meeting of Stockholders to be held on June 19, 2012, at 2.30 p.m.; and in the event of there not being a quorum, to make second convocation within the legal period, to decide on the matter in Item IV, below.

b) The proposal by the Chair to change the composition of the following committees:

- the Board of Directors Support Committee;
- the Human Resources Committee;
- the Strategy Committee;
- the Business Development and Subsidiaries and Affiliates Committee; and
- the Finance, Audit and Risks Committee.

c) the minutes of this meeting.

III The Board authorized signature of a Real Estate Rental Agreement with Companhia de Gás de Minas Gerais **Gasmig**, for the property at Rua Dr. José Américo Cançado Bahia, 1009, Cidade Industrial, Contagem, Minas Gerais, for sixty months, able to be extended for the same period by signature of an amendment.

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IV **The Board submitted** to the Extraordinary General Meeting of Stockholders, for approval, the ratification of the Company having, in 2011, exceeded the limits specified in subclauses b and d of Paragraph 7 of Article 11 of the by-laws, corresponding to:

the consolidated ratio {Net debt/(Net debt + Stockholders equity)} being 52.4%; and

the consolidated amount of funds destined to capital expenditure and the acquisition of any assets of the Company being 71.7% of the Company s Ebitda (Earnings before interest, taxes, depreciation and amortization).

V **The Board ratified** the following target, mentioned in Paragraph 7 of Clause 11 of the Bylaws, having been exceeded in 2011, the provisions of Paragraph 9 of that Clause being complied with:

the Company s consolidated debt being less than or equal to 2.41 times the company s Ebitda (Earnings before interest, taxes, depreciation and amortization).

VI **The Board ratified** Board Spending Decision (CRCA) 020/2012, to replace CPFL Energia S.A. by CPFL Geração de Energia S.A. as a participant in the Consortium to be constituted with Cemig GT, to take part in the Aneel Auction, and as the case may be to receive the Concession, for the São Manoel Hydroelectric Plant, the other terms of that CRCA remaining unchanged.

VII **Withdrawn from the Agenda:** The item relating to contracting of group life insurance was withdrawn from the agenda.

VIII **Conflict of interest:** the Board members

Eduardo Borges de Andrade,	Paulo Roberto Reckziegel Guedes,
Saulo Alves Pereira Junior,	Newton Brandão Ferraz Ramos,
Bruno Magalhães Menicucci,	José Augusto Gomes Campos and
Tarcísio Augusto Carneiro	

withdrew from the meeting room during the discussion of the matter relating to the replacement of CPFL Energia S.A. by CPFL Geração de Energia S.A. in the Consortium related to the São Manoel Hydroelectric Plant, referred to in Item VI above, because they believed there was conflict of interest on the matter, and returned only after the decision on the subject by the other Board members.

IX **The following spoke** on matters of interest to the Company:

Board members;		
General managers:	Leonardo George de Magalhães,	Emilio Castelar Piris Pereira;
Manager:	Arthur Saraiva Sette e Camara.	

The following were present:

Board members:	Dorothea Fonseca Furquim Werneck, Djalma Bastos de Morais, Antônio Adriano Silva, Eduardo Borges de Andrade, Guy Maria Villela Paschoal, João Camilo Penna, Paulo Roberto Reckziegel Guedes, Saulo Alves Pereira Junior, Adriano Magalhães Chaves,	Fernando Henrique Schüffner Neto, Franklin Moreira Gonçalves, Newton Brandão Ferraz Ramos, Bruno Magalhães Menicucci, Christiano Miguel Moisés, José Augusto Gomes Campos, Lauro Sérgio Vasconcelos David, Paulo Sérgio Machado Ribeiro, Tarcísio Augusto Carneiro;
General managers:	Leonardo George de Magalhães,	Emilio Castelar Piris Pereira;
Manager:	Arthur Saraiva Sette e Camara;	
Secretary:	Anamaria Pugedo Frade Barros.	

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8. Convocation to the Extraordinary General Meeting of Stockholders to be held on June 19, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

LISTED COMPANY

CNPJ 17.155.730/0001-64 NIRE 31300040127

EXTRAORDINARY

GENERAL MEETING OF STOCKHOLDERS

CONVOCATION

Stockholders are hereby called to an Extraordinary General Meeting of Stockholders to be held on June 19, 2012 at 2.30 p.m. at the company s head office, Av. Barbacena 1200, 21st floor, in the city of Belo Horizonte, Minas Gerais, Brazil, to decide on the following:

Ratification of the Company having, in 2011, exceeded the limits specified in subclauses b and d of Paragraph 7 of Article 11 of the by-laws for the consolidated ratio {Net debt/(Net debt + Stockholders equity)}, and for the consolidated amount of funds destined to capital expenditure and acquisition of any assets of the Company.

Any stockholder who wishes to be represented by proxy at the said General Meeting of Stockholders should obey the terms of Article 126 of Law 6406 of 1976, as amended, and of the sole paragraph of Clause 9 of the Company s by-laws, by exhibiting at the time, or depositing, preferably by June 14, 2012, proofs of ownership of the shares, issued by a depositary financial institution, and a power of attorney with specific powers, at Cemig s Corporate Executive Secretariat Office (*Superintendência da Secretaria Geral e Executiva Empresarial*) at Av. Barbacena, 1200 19th Floor, B1 Wing, Belo Horizonte, Minas Gerais.

Belo Horizonte, May 24, 2012.

Dorothea Fonseca Furquim Werneck

Chair of the Board of Directors

9. Proposal by the Board of Directors to the Extraordinary General Meeting of Stockholders to be held on June 19, 2012

PROPOSAL

BY THE BOARD OF DIRECTORS

TO THE EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 19, 2012.

Dear Stockholders:

The Board of Directors of Companhia Energética de Minas Gerais (Cemig),

WHEREAS:

a) Paragraph 7 of Clause 11 of the by-laws specifies that in managing the Company and in exercising the right to vote in subsidiaries, affiliated companies and consortia, the Board of Directors and the Executive Board shall faithfully obey and comply with certain targets, including:

(subclause b): limiting the consolidated ratio {Net debt / (Net debt + Stockholders equity)} to 40%; and

(subclause d): limiting the consolidated amount of funds destined to capital expenditure and the acquisition of any assets, in each business year, to 40% of the Company s Ebitda (Earnings before interest, taxes, depreciation and amortization);

b) Paragraph 9 of Article 11 of the by-laws states that such target may be exceeded for reasons related to temporarily prevailing conditions, upon justification by grounds and prior specific approval by the Board of Directors, subject to a limit of 50% for the consolidated ratio {Net debt / (Net debt + Stockholders equity)};

c) at the end of 2011, the consolidated {(Net debt) / (Net debt plus stockholders equity)} was 52.4%; and the consolidated amount of funds allocated to capital expenditure and to the acquisition of any assets was 71.7% of the company s Ebitda;

d) this exceeding of the limit arose principally from the increase in debt, of R$ 3.8 billion, to effect the Company s Investment Program in the year 2011, significant elements being acquisition of an interest in the assets of the Abengoa group, in the amount of R$ 1.2 billion, and investments, also of R$ 1.2 billion, in the concession of Cemig Distribuição S.A.;

now proposes to you:

Ratification of the Company having exceeded, in 2011, the limits specified in subclauses b and d of Paragraph 7 of Article 11 of the by-laws, to the extent of: the consolidated ratio {Net debt/(Net debt + Stockholders equity)} being 52.4%; and the consolidated amount of funds destined to capital expenditure and acquisition of any assets of the Company being equivalent to 71.7% of the Company s Ebitda (Earnings before interest, taxes, depreciation and amortization).

As can be seen, the objective of this proposal is to meet legitimate interests of the stockholders and of the Company, and as a result it is the hope of the Board of Directors that you, the stockholders, will approve it.

Belo Horizonte, May 24, 2012

Dorothea Fonseca Furquim Werneck Chair
Djalma Bastos de Morais Vice-Chairman
Antônio Adriano Silva Member
Eduardo Borges de Andrade Member
Guy Maria Villela Paschoal Member
João Camilo Penna Member

Paulo Roberto Reckziegel Guedes Member
Saulo Alves Pereira Junior Member
Adriano Magalhães Chaves Member
Fernando Henrique Schüffner Neto Member
Franklin Moreira Gonçalves Member
Newton Brandão Ferraz Ramos Member

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10. Market Announcement Reply to CVM Inquiry, June 1, 2012

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

LISTED COMPANY

CNPJ 17155.730/0001-64 NIRE 31300040127

MARKET ANNOUNCEMENT

Reply to CVM Inquiry CVM/SEP/GEA-1 Nº. 461/2012

Question asked by the CVM

The CVM has requested explanation about the news report published in the news medium ***Valor Online***, under the headline *Cemig considering purchase of a stake in Celpa*, dated May 31, 2012, containing the following attribution of statements to Mr. Djalma Morais, the company s chief executive officer:

Cemig s CEO, Djalma Morais, stated that the company is studying the purchase of an interest in Celpa, the distributor of the state of Pará controlled by the Rede group, which is in the process of judicial recovery.

We have matters under consideration. We are interested whenever a situation adds value.

[...]

At an event in Rio de Janeiro last week, Cemig s financial director, Luiz Fernando Rolla, said that the purchase of Celpa would not add value for the company.

Morais reaffirmed that Cemig has interest in the assets of Iberdrola in Neoenergia. It seems to me that Iberdrola is going to wait a little longer to make [the sale of] these assets of Neoenergia a proposition, Morais said.

Reply by CEMIG

Dear Sirs:

In response to your request, made through Official Letter CVM/SEP/GEA-1/Nº461/2012, of May 31, 2012, on the subject of the news reports published in the press referring to our having interest in the acquisition of stake in Celpa and in Neoenergia, we inform you that the Company has evaluated various investment alternatives that could add value to the operation of its present assets. However, up to the present moment there is no concrete interest, nor commitment, even preliminary, in relation to the assets referred to, such as would justify a formal statement to the market.

Cemig reaffirms its commitment to seek investment opportunities that meet the requirements of profitability established by its stockholders and to publish all and any material information as and when it comes into existence.

Belo Horizonte, June 1, 2012

Yours,

Luiz Fernando Rolla

Chief Finance and Investor Relations Officer

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11. CEMIG 2011 Results

SUMMARY

REPORT OF MANAGEMENT FOR 2011

Dear Stockholders,

Companhia Energética de Minas Gerais Cemig (**Cemig**) submits for your consideration the Report of Management, the Financial Statements, and the Opinions of the Audit Board and its external auditors on the business year ended December 31, 2011.

MESSAGE FROM MANAGEMENT

A year of extraordinary addition of value

2011 was a year of major achievements, indeed a landmark in the history of Cemig, which is 60 years old in 2012. The large volume of investments, with the acquisition of new companies; the appreciation in our stock price; the significant payment of dividends; and the highest annual profit since the company s foundation, enable us to conclude that we succeeded in adding value to an extraordinary degree in 2011.

In this context we highlight the performance of our stock. In a year marked by the uncertainties in the international market and a slowdown in Brazil s domestic growth, the prices of Cemig s preferred (PN) and common (ON) stock appreciated by 37.2% and 48.6%, respectively, while the Ibovespa fell by 18.11%

in the same period.

As well as the appreciation in our stock prices, we allocated dividends to stockholders of more than R$ 2 billion. Summing the stock price and the dividend payments gives a total return to our stockholders of more than 11%.

In our financial results, we reported all-time record profit, of R$ 2.4 billion, and cash flow, measured as Ebitda, of R$ 5.4 billion. This was within the financial forecast guidance we published to stockholders at our annual meeting in May in Belo Horizonte.

Our investments were also a highlight of 2011: We made an important acquisition in the transmission sector, for R$ 1.1 billion, of stockholdings in assets of the **Abengoa Group**. With this acquisition we are now the third largest transmission group in Brazil, with direct and indirect holdings of 12.9% of the Brazilian transmission market.

In generation, we acquired an interest of 9.7% in the **Belo Monte** Plant, the largest plant under construction in Brazil, with installed capacity of 11,233 MW. With the 10.0% interest in the **Santo Antônio** Plant, we can now state that we have significant operations in the Amazon region, which is the new frontier of major Brazilian hydroelectric projects. These interests confirm Cemig s commitment to give priority to renewable sources of electricity in its generation base.

We also increased our stockholding in Light S.A. (**Light**). At the start of the year we held an interest of 26.1%, directly or through subsidiaries, and at the end of the year we held 32.5%, a strategic investment in the distribution sector in Rio de Janeiro, one of the headquarter cities of the World Cup and the 2016 Olympics. This holding consolidates Cemig s position as the largest electricity distribution group on Brazil. Another highlight is the interest held by Light in **Renova Energia**, the first and only BM&FBovespa-listed company dedicated to generating electricity solely from alternative sources. Investments were not only through acquisitions: another highlight is the investment by Cemig Distribuição S.A. (**Cemig D**) of R$ 1.2 billion in 2011 in its electricity network in the State of Minas Gerais, improving the reliability of the system and expanding its network to serve its more than 7 million consumers.

We are conscious of the importance and responsibilities of our actions for Brazilian society, as an electricity company operating all over the nation, serving not only more than 10 million consumers but also a significant proportion of the country s large industrial groups.

Aware of our responsibility in relation to climate change, in 2011 we launched our statement *Dez Iniciativas para o Clima,* which lists our **Ten 10 Initiatives for the Climate**. This document shows Cemig s preparation for and commitment to a low-carbon economy, and envisages an alignment of the business based on the assessment of climate risks and opportunities, informing society and investors of the lines adopted by the company.

As a consequence of our sustainable actions, we have great pride in being once again included in the **Dow Jones Sustainability World Index** the *DJSI World* completing 12 consecutive years of inclusion in this index. The inclusion represents world recognition of our practices of sustainable management in their economic, social and environmental dimensions. This recognition of Cemig as a sustainable company is also reflected in our inclusion in the **ISE Corporate Sustainability Index** of the São Paulo Stock Exchange (Bovespa). In this index, too, we have been included since it was created (in 2005).

We are indisputably a company that adds value to our country. We generated wealth of more than R$ 14.3 billion in 2011 of which 58% was paid in taxes to the federal, state and municipal governments, thus making a significant contribution to public activity in the environment that we are a part of.

It is also important to point out that Cemig s results are only possible due to the technical quality and commitment of our body of employees: more than 8,000 people directly employed, in the companies that we directly control and without taking into account the substantial quantities of jobs that are created indirectly by our activities.

It is the capacity of our staff of employees, allied to the quality of our assets, that gives us confidence in the future, and in Cemig s capacity to add value for its stockholders and continue to be the company and the group providing Brazil s Best Energy .

CEMIG

Cemig is a business group with mixed public- and private-sector ownership, controlled by the government of the Brazilian state of Minas Gerais. Its shares are traded on the exchanges of São Paulo, New York and Madrid (Latibex). Its market valuation at the end of 2011 was approximately R$ 23 billion. Its shares have been in the Dow Jones Sustainability World Index for 11 years. In 2011 it was the only company in the sector in Latin America chosen for the DJSI World, continuing to be the only company in the electricity sector that has been a part of this select group of companies since the DJSI was created in 1999.

The Cemig Group is made up of 114 companies, 15 consortia and 1 equity investment holding fund, with assets and businesses in 20 of Brazil s states, the federal district and Chile. It also has investments in distribution of natural gas, data transmission, and supply of energy solutions.

The Cemig Vision

In 2009, Cemig restated its vision as:

To be, in 2020, one of the two largest electricity groups in Brazil by market value, with a significant presence in the Americas,

and a world leader in sustainability in the sector.

Cemig maintains its focus on expanding its market share in electricity and gas within Brazil, up to the limits laid down by regulation, while at the same time expanding its international presence.

Cemig aims to be a benchmark for growth in the electricity sector. In this process it is constantly looking for opportunities for new acquisitions, seeking to be increasingly active in auctions for expansion of generation and transmission, and zealously working on the operational efficiency of its assets.

Geographical reach

As the map below shows, Cemig operates in many regions of Brazil, with activity most highly concentrated in the country s Southeast. It also shows Cemig s first operation outside Brazil: the Charrúa Nueva Temuco transmission line, in Chile, which began to operate in 2010.

The CEMIG brand

Cemig s brand and reputation has a direct effect in all the group s business in regulatory proceedings, in mergers and acquisitions, in the important impact on choice of supplier by free clients, and in all the company s participation in the daily life of all its consumers.

Research showed that in 2011 the reputation of most companies in Brazil suffered a decline from 2010, and this was also the case for Cemig. The research, by the *Reputation Institute*, attributed this to an atypical factor: the spirit of euphoria and optimism in the country arising mainly from its stability in comparison to the economic crisis in the United States and most of Europe.

A survey by *Brand Finance* gave a similar conclusion: after a strong rise in 2010, the value of the *Cemig* brand fell by 14% in 2011, but still remained above R$ 1 billion.

PERFORMANCE OF OUR BUSINESSES

(Operational information has not been reviewed by the external auditors)

Generation

Through its subsidiaries and jointly-controlled subsidiaries **Cemig** has 70 plants in operation: 63 hydroelectric plants, 3 thermal generation plants and 4 wind farms. With their aggregate installed capacity of 6,964 MW, they make Cemig Brazil s third largest electricity generation group.

Plant	Generating capacity (MW)	Average output in 2011 (MW)
São Simão	1,710	1,281
Emborcação	1,192	497
Nova Ponte	510	276
Jaguara	424	336
Miranda	408	202
Três Marias	396	239
Volta Grande	380	229
Irapé	360	206
Aimorés	162	84
Other	909	543
Generation by *Light*	281	209
Wind power	49	20
Thermal plants	184	123
Total	**6,964**	**4,245**

Transmission

Transmission has grown strongly in Brazil in recent years making it possible to optimize the dynamic structure of supply, reducing restrictions on serving the whole market efficiently, and mitigating the risk of electricity rationing that resulted in part from incomplete linkage between all sections of the Brazilian electricity system. Market forecasts for the coming years indicate even faster growth, as new lines are completed to connect the new large projects in the north of the country to the nationwide grid.

The environment of competition and the expansion of the system through tender auctions are causing the transmission sector to be seen with renewed attention. Cemig has followed the trend of the market, seeking opportunities for growth with addition of value, through acquisition of interests in transmission companies. Some highlights are: Cemig s acquisition in 2009 of an equity interest in *Transmissora Aliança de Energia Elétrica S.A.* **Taesa**; the increase in its holding in both the **TBE Group** and in **Taesa** in 2010; and the acquisition of assets of the **Abengoa** group in 2011.

Through its subsidiary and affiliate companies operating in electricity transmission, Cemig operates a transmission network which had a total length of 10,060 km in 2011 (8,768 in 2010). It is Brazil s third largest transmission group, present in 13 states of Brazil, and in Chile.

<u>Distribution</u>

Cemig is Brazil s largest electricity distribution group, with leading positions in the States of Minas Gerais and Rio de Janeiro through **Cemig D** (*Cemig Distribuição* Distribution) and **Light**, serving more than 10 million consumers.

Cemig Distribuição

Cemig D (*Cemig Distribuição*) is the largest distribution company in Latin America, with 467,679km of distribution networks (104,482km in urban areas and 363,197km of rural networks), and also 17,367km of high- and medium-voltage sub-transmission lines. It serves 7.1 million consumers.

Cemig D has one of the country s highest indices of service to consumers benefited by the low-income tariff. Of the total of residential consumers invoiced in 2011, 13.3% were classified as low-income, a total of 769,000 consumers.

Light

Cemig s jointly-controlled subsidiary **Light** operates in distribution through *Light Serviços de Eletricidade S.A.* (**Light Sesa**), serving approximately 4.1 million consumers in an area of 10,970 km^2 of Rio de Janeiro State.

Light divides its concession area into three regions: the Metropolitan Region, Greater Rio de Janeiro, and the Paraíba Valley. This aims to make service more efficient and create a closer relationship to the client.

Sales

The companies of the Cemig Group have the leading share of the Free Market in electricity Brazil. In 2011, the group expanded its area of operation to new states Roraima, Pernambuco, Paraná and Ceará with the addition of new clients in these states. It also consolidated its position with addition of new clients where it already operates, especially Minas Gerais, São Paulo and Bahia.

In terms of volume supplied, Cemig is the market leader in direct service to the largest free clients, with 23%, or twice the total volume supplied by its next-placed competitor in the ranking.

Other businesses

Cemig s principal businesses are generation, transmission and distribution of electricity, but the group also operates in distribution of natural gas in Minas Gerais State, through *Companhia de Gás de Minas Gerais* **Gasmig,** and also in telecommunications, services and technology and communication infrastructure.

The telecoms subsidiary, **Cemig Telecom** S.A. (previously named *Infovias*), was created to carry telecom signals on fiber optic and coaxial cables installed on Cemig s transmission and distribution networks.

The service company, **Cemig Serviços** S.A., is a wholly-owned subsidiary formed in 2011, and provides services to the group. In its first year it has absorbed 5 meter reading contracts that were previously outsourced, equivalent to 17% of the current market. A further 9 contracts are expected to be made in 2012, totaling approximately 48% of all Cemig s meter reading services. Among the benefits expected are regulation of the market, improvement in quality of meter reading services, and greater protection of revenue.

In technology and communication infrastructure, the group operates through Ativas Data Center S.A. (**Ativas**), a subsidiary of Cemig Telecom. There is a value-adding partnership between the operations of Cemig Telecom which provides telecommunications infrastructure and Ativas, which provides IT services.

Additionally, through Axxiom Soluções Tecnológicas S.A. (**Axxiom**), the group offers technology and operational management system solutions to companies operating public concessions of all types: in electricity, gas, water supply, water services infrastructure, etc.

FINANCIAL RESULTS OF OUR BUSINESSES

Profit (loss) for the period

Cemig reported net profit of R$ 2.415 billion in 2011, 6.95% more than its 2010 net profit of R$ 2.258 billion.

Operational revenue

This is the breakdown of operational revenues:

R$ million	2011	2010 (Reclassified)	Change %
Revenue from supply of electricity	16,841	14,821	13.63
Revenue from use of the electricity distribution systems (TUSD)	1,974	1,658	19.06
Revenue from use of the transmission grid	1,473	1,197	23.06
Construction revenue	1,533	1,342	14.23
Other operational revenues	990	924	7.14
Deductions from operational revenues	(6,997)	(6,095)	14.80
Net operational revenue	**15,814**	**13,847**	**14.21**

<u>Revenue from supply of electricity</u>

Revenue from electricity sales totaled R$ 16.841 billion in 2011, compared to R$ 14.821 billion in 2010 an increase of 13.63%.

Final consumers

Revenue from sales of electricity to final consumers (excluding own consumption) was R$ 14.959 billion in 2011, 13.16% more than in 2010 (R$ 13.219 billion).

The main factors in this result are:

<	Volume of energy invoiced to final consumers (excluding Cemig s own consumption) 6.95% higher.
<	Tariff increase for *Cemig D* with average effects on consumer tariffs of 1.67% and 7.24%, effective from April 8 of 2010 and 2011, respectively.
<	Tariff increases for *Light*, with average effects on consumer tariffs of 2.20% and 7.82% from November 7, 2010 and 2011, respectively.
<	Price adjustments in contracts for sale of electricity to free consumers, most of which are indexed to the IGP M inflation index.

The following are some comments on the figures for the main consumer categories:

Residential:

Residential consumption accounted for 15.3% of the total of electricity sold in 2011. The increase of 8.0% in the total amount in the year reflects connection of new consumer units, and also higher consumption by private users due to the favorable situation of the Brazilian economy, with continuing vigor in the employment market, growth in total real wages, and expansion of the supply of credit.

Industrial:

Electricity used by free and captive clients was 37.1% of the volume transacted in 2011, 4.8% more than in 2010, due to the expansion of industrial activity with the growth of exports and production to meet domestic demand, in spite of the signals of slowing growth in the second half of the year.

Commercial:

This category consumed 10.0% of the electricity transacted, totaling 12.2% more in volume than in 2011, reflecting the increased level of domestic demand, that is, both consumption by the various economic sectors and final consumption by families and individuals.

Rural

Rural consumption grew by 7.3% in 2011, with the connection of 121,057 rural properties to electricity supply for the first time, and increased demand for irrigation due to atypical climatic conditions: low rainfall in the rainy season, and higher than expected temperatures in the dry season.

Other consumer categories:

The total of other types of consumption in 2011 by public authorities, public illumination, public services, and Cemig s own consumption was 9.2% higher than in 2010, and represented 5.8% of Cemig s total transactions in electricity in the year.

Revenue from wholesale electricity sales

The volume of electricity sold to other concession holders in 2011 was 1.78% higher, at 14,457,890 MWh in 2011, than in 2010 (14,204,530 MWh), and average price in these sales was 7.24% higher, at R$ 109.08/MWh in 2011, compared to R$ 101.72/MWh in 2010. As a result, revenue from wholesale supply to other concession holders was 9.13% higher year-on-year, at R$ 1.577 billion in 2011, than in 2010 (R$ 1.445 billion).

Revenue from use of the electricity distribution systems (TUSD)

The revenue of Cemig D and Light from the Tariff for Use of the Distribution Systems (TUSD) was 19.06% higher, at R$ 1.974 billion, in 2011, than in 2010 (R$ 1.658 billion). This revenue comes from charges made to Free Consumers on energy sold by other agents of the electricity sector, and its increase arises both from the increases in tariffs and, principally, from a higher volume of transport of energy for free consumers, a consequence of the recovery of industrial activity and of migration of captive clients to the Free Market.

Revenue from use of the transmission grid

Revenue for use of the grid in 2011 was R$ 1.473 billion, vs. R$ 1.197 billion in 2010, an increase of 23.06%.

For the long-standing concessions, Revenue from Use of the Transmission Grid refers to the tariff charged to agents in the electricity sector, including Free Consumers connected to the high voltage network, for use of that part of the National transmission Grid that is owned by the Company, less the amounts received that are used to amortize the Financial Assets of the Concession.

For the new concessions, it includes the portion received from agents of the electricity sector for the operation and maintenance of the transmission lines, and also the adjustment to present value of the financial assets of the transmission concession, which is primarily constituted during the period of construction of transmission projects. The rates used for updating of the asset correspond to the remuneration of the capital applied in construction of the projects, which varies according to the type of project and the cost of capital incurred by the investing party.

The increase in this revenue in 2011 arises principally from monetary updating of the Transmission Assets of *Taesa*, with an impact of R$ 178 million on Cemig s profit. The updating arises from publication of the index for updating of Taesa s tariff as from July 2011, by 9.77%.

Other operational revenues

The Company s other operational revenues are:

	Consolidated			
	2011			

		2010 (Reclassified)
Supply of gas	579	398
Charged service	14	16
Telecoms service	158	131
Services provided	105	179
Rental and leasing	77	60
Other	57	140
	990	**924**

Taxes and sector charges: deductions from operational revenue

The taxes applied to operational revenue in 2011 totaled R$ 6.997 billion, compared to R$ 6.095 billion in 2010, an increase of 14.8%. The main variations in these deductions from revenue, between the two years, are as follows:

The Fuel Consumption Account   CCC

Expenses on the CCC in 2011 were R$ 718 million, 34.96% more than their total of R$ 532 million in 2010. This charge is for the costs of operation of the thermal plants in the national grid and in the isolated systems. It is prorated between electricity concession holders, on a basis set by an Aneel Resolution.

This is a non-controllable cost: in the distribution activity, the difference between the amounts used as a reference for calculation of tariffs and the cost actually incurred is compensated for in the next tariff adjustment. For the portion relating to transmission services the Company charges the CCC amount to Free Consumers on their invoices and passes it on to Eletrobrás. The variation in this cost arises, principally, from the change in the method of calculation of the charge, which makes good the difference between the total cost of generation of electricity in the isolated systems and the average cost of electricity sold in the Regulated Market.

CDE   Energy Development Account

Expenses on the CDE in 2011 were R$ 516 million, 21.99% more than their total of R$ 423 million in 2010. These payments are specified by a Resolution issued by the regulator, Aneel.

This is a non-controllable cost: in the distribution activity, the difference between the amounts used as a reference for calculation of tariffs and the cost actually incurred is compensated for in the next tariff adjustment. For the portion relating to transmission services the Company merely charges the CDE amount to Free Consumers on their invoices for use of the grid, and passes it on to Eletrobrás.

The other deductions from revenue are taxes, calculated as a percentage of amounts invoiced. Hence their variations are substantially proportional to the changes in revenue.

For a breakdown of the taxes applicable to revenues, please see Explanatory Note 24 to the consolidated Financial Statements.

Operational costs and expenses (excluding Financial revenue/expenses)

Operational costs and expenses (excluding Financial revenue (expenses)) totaled R$ 11.401 billion in 2011, 11.77% more than in 2010 (R$ 10.200 billion). There is a breakdown of this expense in Explanatory Note 25 to the consolidated financial statements.

The following paragraphs outline the main variations in expenses:

Electricity bought for resale

The expense on electricity bought for resale in 2011 was R$ 4.278 billion, 14.94% higher than the figure of R$ 3.722 billion for 2010. The higher figure basically reflects higher sales by *Cemig GT* (Generation and Transmission), and a higher proportional contribution by *Light* to the total figure in 2011, with its increased contribution to the consolidated result due to Cemig s increased ownership stake. This is a non-controllable cost: in the distribution activity, the difference between the amounts used as a reference for calculation of tariffs and the cost actually incurred is compensated for in the next tariff adjustment. For more information please see Explanatory Note 25 to the consolidated financial statements.

Charges for use of the transmission grid

The expense on charges for use of the transmission network in 2011 was R$ 830 million, vs. R$ 729 million in 2010, an increase of 13.85%.

These charges, 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 difference between the amounts used as a reference for calculation of tariffs and the cost actually incurred is compensated for in the next tariff adjustment.

Depreciation and amortization

Depreciation and amortization was 4.80% higher year-on-year: R$ 939 million in 2011, compared to R$ 896 million in 2010. This mainly reflects the Company s increased investment program, primarily in distribution.

Post-employment obligations

The expense on post-employment obligations in 2011 was R$ 124 million, compared to R$ 107 million in 2010, an increase of 15.89%. This expense represents the updating of the obligation, calculated in accordance with an actuarial opinion prepared by external consultants. The significant increase arises from the increased equity interest in the subsidiary *Light*.

Operational provisions

Operational provisions in 2011 totaled R$ 257 million, 86.23% more than in 2010 (R$ 138 million). The main elements in the higher figure are:

The provision for doubtful receivables was 55.24% higher, at R$ 163 million in 2011, vs. R$ 105 million in 2010.

The provision for Aneel administrative proceedings was R$ 4 million in 2011, whereas there was *reversal* of provisions of R$ 47 million in 2010 resulting from dismissal of a case brought by Aneel about the low-income subsidy.

A provision of R$ 48 million for contingencies for legal actions in general was made in 2011, compared to a *reversal* of provisions of R$ 54 million in 2010.

On the other hand, provisions for civil actions relating to tariff increases totaled R$ 9 million in 2011, compared to R$ 139 million provisioned in 2010. The amounts provisioned in 2010 were substantially from settlement to terminate a legal action brought by an industrial consumer relating to the tariff increase ordered by Ministerial Order 045/86 of the National Water and Electricity Authority (DNAEE) in 1986.

For more information please see Explanatory Note 25 to the consolidated financial statements.

Gas purchased for resale

Expenses on gas bought for resale in 2011 were R$ 329 million, 46.22% more than their total of R$ 225 million in 2010. This primarily reflects the increase in the volume purchased, reflecting higher sales of gas by Gasmig in 2011, in turn reflecting increased industrial activity.

Outsourced services

The expense on outsourced services in 2011 was R$ 1.031 billion, compared to R$ 923 million in 2010, an increase of 11.70%. The highest increases were in communication services, meter reading services, electricity bill delivery and consultancy, all mainly reflecting increases in prices in service contracts. A detailed breakdown of outsourced services is given in Explanatory Note 25 to the consolidated financial statements.

Employees and managers profit shares

The expense on employees and managers profit shares in 2011 was R$ 221 million, 32.00% less than in 2010 (R$ 325 million). The amounts reported arise from the Specific Work Agreement signed with the unions in November of 2010 and 2011. The amount reported for 2010 also contains an element of R$ 30 million arising under the Collective Employment Agreement for the previous year, 2009.

EBITDA

(Method of calculation not reviewed by external auditors)

Ebitda R$ million	2011	2010	Change%
Profit (loss) for the period	2,415	2,258	6.95
+ Provision for income tax and Social Contribution tax	941	564	66.84
+ Financial revenue (expenses)	1,056	825	28.00
+ Amortization and depreciation	939	896	4.80
= EBITDA	**5,351**	**4,543**	**17.79**
Non-recurring items:			
+ Settlement of legal action with industrial client	-	178	-
+ ICMS tax: low-income consumers	-	26	-
= ADJUSTED EBITDA	**5,351**	**4,747**	**12.72**

The higher Ebitda in 2001 reflects revenue 14.21% higher, while operational costs and expenses (not including depreciation) were 12.40% higher.

The main non-recurring items affecting 2011 Ebitda are:

Recognition of an expense of R$ 178 million in Cemig D, in 2010, arising from the settlement of a legal action brought by an industrial consumer, for reimbursement of the tariff increase introduced by the DNAEE during the Cruzado economic plan (of 1986).

Recognition of an ICMS tax expense in 2010 relating to the subsidy for the discount on tariffs for low-income consumers, in the amount of R$ 26 million, resulting from the decision to subscribe to the Tax Amnesty program put in place by the government of the Minas Gerais State.

Net financial revenue (expenses)

The company posted net financial expenses of R$ 1.056 billion in 2011, compared to net financial expenses of R$ 825 million in 2010. The main factors in this financial result are:

Higher expenses on loans and financings: R$ 1.311 billion in 2011, compared to R$ 1.075 billion in 2010, due mainly to the higher variation in the CDI (Interbank CD) rate, the main indexor for loan and financing contracts, reflecting the increase of the Selic rate, mainly during the first half of 2011.

Higher monetary updating expense on post-retirement liabilities: R$ 163 million in 2011, compared to R$ 142 million in 2010 mainly due to higher variation in the IPCA index, which is used to update the debt agreement between Cemig and the private pension entity, **Forluz.**

Revenue from monetary updating of amounts paid into court in legal proceedings: R$ 68 million in 2011, from updating of a tax credit for successful final judgment in a legal action on the ITCD (Death Duties/Donations) tax.

Revenue from monetary updating applied to the Finsocial tax: R$ 68 million in 2011, from an updated receivable from the federal tax authority for taxes paid unduly over the period 1989 91, following final judgment in favor of Cemig.

Expense on monetary updating of an advance against future capital increase (AFAC): R$ 66 million, in 2011 for the total of the updating on a historic amount of R$ 27 million that was repaid to Minas Gerais State.

For a breakdown of financial revenues and expenses, please see Explanatory Note 26 to the consolidated financial statements.

Income tax and Social Contribution tax

- **In 2011**, Cemig s expense on income tax and the Social Contribution totaled R$ 941 million, on profit of R$ 3.356 billion before tax, representing a percentage of 28.03%.

- **In 2010**, Cemig s expense on income tax and the Social Contribution totaled R$ 564 million, on profit of R$ 2.822 billion before tax, a percentage of 19.99%.

These effective rates are reconciled with the nominal rates in Explanatory Note 10 to the consolidated financial statements for 2011.

Note that in 2011 and 2010 the Company posted tax credits that are not explicitly stated in the financial statements, in the amounts of R$ 120 million and R$ 289 million, respectively.

Liquidity and capital resources

Our business is capital-intensive. Historically, we have a need for capital to finance the construction of new generation facilities and expansion and modernization of the existing generation, transmission and distribution facilities.

Our demands for liquidity are also related to our dividend policy. We finance our liquidity and capital needs principally with cash generated by operations and, on a lesser scale, with funds from financing. We believe that our present cash reserves, generated by operations and expected funds from financings, will be sufficient to meet our liquidity needs over the next 12 months.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2011 totaled R$ 2.862 billion, compared to R$ 2.980 billion on December 31, 2010. On December 31, 2011 neither our cash position nor our cash equivalents were maintained in any other currencies than the Real.

Cash flow from operational activities

Cemig s totals of Net cash generated by operational activities in 2011 and 2010 were, respectively, R$ 3.898 billion and R$ 3.376 billion. The increase in cash generated by operational activities in 2011 from 2010 primarily reflects the higher profit in 2011, adjusted for items not affecting cash.

Cash flows from investment activities

The totals of Net cash used in investment activities in 2011 and 2010 were, respectively, R$ 4.017 billion and R$ 4.444 billion. The lower amount in 2011 mainly reflects the higher investments in transmission assets in the previous year, while in 2011 expenses were more concentrated in the distribution activity, though the acquisition of transmission assets of the Abengoa Group should also be mentioned.

Net cash arising from financing activities

We are closely involved in lengthening our debt profile through financing vehicles over the long term, and for low interest rates, with maturities and obligations compatible with the nature of our business, which is capital-intensive. We seek to balance the proportions of short- and long-term financings and not to increase our exposures to short-term rates, nor to suffer any pressure on liquidity. More details on our funding policy can be seen in the next item in this report, *Funding and debt management*.

The positive cash flow from financing activities in 2011 was R$ 1.3 *million*, from: outflow of cash for amortization of R$ 2.218 billion of financings denominated in Reais and foreign currencies, and payment of R$ 2.036 billion in dividends and Interest on Equity; almost entirely offset by financings obtained, of R$ 4.255 billion.

Cash flow consumed by financing activities in 2010 totaled R$ 377 million, with funding totaling R$ 6.227 billion, and payments of R$ 4.775 billion in amortization of loans and financings, and R$ 1.829 billion in Interest on Equity.

Funding and debt management

In the consolidated view, the total of funding obtained through loans and financings in 2011 was R$ 3.608 billion, while the total amortized was R$ 2.219 billion. The Company maintains its commitment to ensure that its credit quality is preserved at satisfactory levels that denote investment grade , that is to say investment of low risk, to enable it to benefit from financial costs that are compatible with the profitability of the business, and to demonstrate that the process of expansion of Cemig s activities has taken place and will take place the future in a sustainable manner.

At the end of the year, to replenish cash used in investments in 2011, and to finance an acquisition of assets planned for the first half of 2012, **Cemig** issued Promissory Notes in the amount of R$ 1 billion with tenor of 360 days, confirming the receptiveness that the Company enjoys in the local capital market.

Cemig D also had recourse to the capital market at the end of 2011, issuing R$ 100 million in Promissory Notes for strengthening of working capital. Over the year, a further R$ 410 million was raised in loans, and a further R$ 116 million in financings from Eletrobrás for the *Reluz, Cresce Minas* and *Light for Everyone* (*Luz para Todos*) Programs. Also, the Company received R$ 291 million from the CDE (Energy Development Fund) and from the State of Minas Gerais, on a sinking-fund basis, for the *Light for Everyone* Program; and the economic subsidy/support related to the tariff policy applicable to low-income consumers with the funds of Codemig for the Administrative Center.

Cemig GT, meanwhile, took the opportunity of its comfortable cash position to pay the debt servicing, in the amount of R$ 1.219 billion (R$ 689 million being principal), practically without having recourse to new raising of funds, as a way of optimizing its leverage. However, in the consolidated view, the indebtedness of the Company includes the effect of the financings contracted by its subsidiaries to pay for investments in generation, principally the *Santo Antônio* Hydroelectric Plant and the *Belo Monte* Hydroelectric Plant, and in transmission, in which a highlight was the Promissory Notes of **Taesa**, in the amount of R$1.17 billion (affecting the indebtedness of **Cemig GT** in the amount of R$ 663 million), for acquisition of the assets of **Abengoa**.

In March 2012, **Cemig GT** completed its 3rd debenture issue a total of 1,350,000 non-convertible, unsecured debentures in 3 series, each with nominal unit value of R$ 1,000.00 (one thousand Reais) on the issue date (February 15, 2012), for a total of R$ 1.35 billion. The net proceeds from the issue were used to redeem 100% of the Company s fourth issue of commercial promissory notes (issued January 13, 2012), for their total nominal unit value of R$ 1,000,000, plus remuneratory interest, and to strengthen the Company s working capital. 480,000 debentures were issued in the first series, 200,000 in the second series and 670,000 in the third series, with respective maturities of 5, 7 and 10 years from the issue date. The debentures of the first series carry remuneratory interest at the rate of CDI + 0.90% p.a., and the debentures of the second and third series will have their nominal unit value adjusted by the IPCA index (published by the IBGE) plus remuneratory interest of 6.00% p.a. and 6.20% p.a., respectively. **Cemig** provided a surety guarantee for the 3rd debenture issue of Cemig GT.

Main indexors of the debt on December 31, 2011

The composition of Cemig s debt is a reflection of the sources of financing that are available to the Company (bank lending used for rollover of debt, and issuance of debentures and promissory notes, in which a significant demand has been allocated in securities indexed to local Brazilian interest rates), and also of its intention to avoid exposure to foreign currency (currently at 2%). The high concentration of the debt in rates tagged to the CDI rate (59%) will reduce the cost of the debt in a scenario of lower interest rates in the long term. The average cost of Cemig s debt in real terms, in current currency, is 7.21% p.a.

The Company manages its debt with focus on lengthening of maturities, limitation of indebtedness to the levels laid down in the by-laws, reduction of the cost of debt, and preservation of the company s payment capacity, without pressures on cash flow that could indicate a refinancing risk.

The amortization timetable of the Company s debt, at December 31, 2011, was satisfactorily spread out over the years, with an average tenor of 3.1 years, although there is a concentration of debt maturing in 2012, as shown in the chart below, which has been partially refinanced in March 2012, through an issue of debentures by Cemig GT, mentioned in the previous paragraph.

This chart shows the debt amortization timetable:

Debt amortization timetable

Position at December 2011 (R$ million)

The credit ratings of Cemig and its principal subsidiaries were not changed over 2011, even in a context of the Company s expansion through projects or acquisitions reflecting, as the people rating agencies report it, a positive perception of healthy profitability and strong cash flow, indicated by solid credit indicators and an appropriate liquidity profile.

THE REGULATORY ENVIRONMENT

Renewal of concessions

One of Cemig s most valuable intangible assets is its portfolio of concessions for commercial operation in generation, transmission and distribution. The periods of the concessions vary depending mainly on the date of the grant.

The Mining and Energy Ministry has formed a technical working group to analyze the criteria that will be applied in renewals of generation, transmission and distribution concessions expiring as from 2015. Suggestions will be submitted to the National Energy Policy Council and, according to statements by participants of that group, will have as their object the reduction of tariffs for consumers.

The federal government is expected to make a decision in 2012 defining the criteria for renewal of concessions after which it will be possible to determine the effect of the criteria on the Company s results.

Electricity auctions

Cemig D took part in three auctions held by the regulator, Aneel, in the **Regulated Market**, for supply over the period 2011 to 2043, making the following purchases:

Auction	Power (MW, average)	Average price (R$/MWh)
A 3 Auction	389.16	102.07
A 1 Auction	18.13	79.99
Adjustment Auction of the 2nd half of the year	137.00	56.13

Cemig GT took part in three auctions held by the regulator, Aneel, in the **Regulated Market**, for supply over the period 2011 to 2014, making the following sales:

Auction	Power (MW, average)	Average price (R$/MWh)
A 1 Auction	85.00	80.00
Adjustment Auction of the 1st half of the year	85.00	108.00
Adjustment Auction of the 2nd half of the year	62.00	54.73

In the Free Market Cemig GT held a total of 65 auctions in 2011, including purchases and sales, selling a total of 30,226 GWh, and participated in a total of 96 purchase and sale auctions promoted by others, selling 4,109 GWh.

Cemig GT decides its strategy for activity in the Free Market Auctions based on its own assumptions and premises, including a curve of future price forecasts, approved internally, and on the basis of its Structural Balance Plan, which defines the availability to be directed to the various agents of this market.

Management of Transmission Losses

The overall Loss Index of Cemig D (Distribution) was 10.40% in October 2011. Of these 8.50% were technical losses and 1.90% were non-technical losses.

The investments made in strengthening the electricity system at high, medium and low voltage have helped in the control of technical losses, which are inherent in the process of transport and transformation of electricity.

In the management of non-technical losses, regularization of 35,000 consumers has provided a recovery of energy totaling 181 GWh and an increase of 77 GWh. These amounts correspond to aggregate revenue of R$ 90 million.

Further to this: improvements were made to the tool for selection of inspection targets; productivity was increased in the process of charging for irregular consumption, revenue from medium- and large-scale consumers was increasingly bullet-proofed ; approximately 177,000 obsolete meters were replaced; and 15,000 public illumination lamps left on during the day were regularized.

RELATIONSHIP WITH CLIENTS

Retail supply quality

Electricity supply quality indicators (SAIDI and SAIFI) of Cemig D (Distribution):

Year	Adjusted		Unadjusted	
	SAIDI	SAIFI	SAIDI	SAIFI
2010	12.99	6.55	15.10	7.40
2011	14.32	7.90	16.86	7.01
Increase / (reduction)	10.2%	20.6%	11.65%	(5.3%)

The adjustment in the figures above relates to days regarded as critical: those in which the number of emergency occurrences exceeds the average for the previous 24 months. Outages on critical days are not included for the calculation of SAIDI and SAIFI indicators.

Cemig had 332,501 outages in the year, of which 82% were accidental and 18% programmed. Around 49% of the outages in 2011 arose from causes external to the system (natural and environmental phenomena), 33% were of internal origin (equipment, human failure, handling errors, etc.), and 18% were programmed outages. The most common external causes were lightning, with 21%, contact between birds or animals and the network, 10%, and contact with trees, 10%.

In 2011 Cemig invested R$ 105.6 million in preventive maintenance (cleaning of transmission pathways; pruning; maintenance of structures; and replacement of damaged posts, transformers and cables); and a further R$ 34.13 million in improvements to the network (covering of cables; and refurbishment and interconnection of circuits).

One cause of the fall in quality indicators in 2011 was an increase in rainfall, which was significantly higher than the average of any previously recorded.

Significant investments are planned for 2012 in works to improve operational flexibility, and installation of protection equipment with automatic reconnection, able to help reduce both the frequency and duration of accidental outages, thus improving the quality of electricity supply.

Another important sphere of action is in raising the overall level of technology employed, with systematic investments in automation of the electricity system, which will enable automatic remote re-establishment of supply after outages.

Service policy

Cemig D has numerous existing channels for relationship with clients. They include: the *Speak to Cemig* facility, Service Branches, Relationship Agencies, Virtual Branches and Simplified Service Posts (PASs). The Company has been working strongly on forging a closer relationship with clients.

In 2011 Cemig D (Distribution) established personal (face-to-face) client service in all the 774 municipalities of its concession area, and also made investments in:

(i) Cemig s Virtual Branch , increasing the number of services available; and in
(ii) the Cemig Texting (*Cemig Torpedo*) service, in which the client can use simple text messaging to advise Cemig of an outage, get an update on bills owed, or request an on-premises meter reading, receiving an answer in less than 1 minute.

INVESTMENTS

New acquisitions

Acquisition of new assets is a policy that is in line with Cemig s strategy of becoming an increasingly large player, and a player that is increasingly competitive in the market. These are the principal acquisitions of 2011:

Belo Monte Hydroelectric Plant

In 2911 a 9.77% interest was acquired in the *Belo Monte* Hydroelectric Plant, through acquisition of 9.77% of the share capital of Norte Energia S.A. (**NESA**), the company that has the concession for the plant. A special-purpose company, Amazônia Energia Participações S.A (**Amazônia**), was created for the purpose, in which **Cemig GT** owns 74.5% of the total capital and **Light**, 25.5%.

Increase of stake in Light

Acquisition of additional interest in April 2011

On April 12, 2011 the jointly-controlled subsidiary *Parati S.A. Participações em Ativos de Energia Elétrica* (**Parati**) acquired 54.08% of the share capital of **Redentor**, for R$ 403,350, corresponding to a price per share of R$ 6.87. Redentor holds a 13.03% interest in the total and voting stock of Light.

Since the transaction resulted in the transfer of control of Redentor, Parati held an Auction of Public Offer for acquisition of the remaining shares in Redentor.

On September 30, 2011 the auction was settled with payment of R$ 7.20 per share, corresponding to a total amount of R$ 334 million, representing 93.04% of the shares in circulation that were held by minority stockholders. This acquisition represented 42.72% of the total of shares in the share capital, and was made for the price of R$ 6.87, the same price per share paid to the controlling stockholder on May 12, 2011, updated by the variation in the Selic rate from that date to September 30, 2011.

A further Public Offering to Acquire Shares for Cancellation of Listed Company Registration and Exit from the Novo Mercado is planned to take place in the first half of 2012, for acquisition of the common shares remaining in the market, representing 3.20% of the share capital.

Acquisition of additional interest in Light in July 2011

On July 7, 2011 Parati acquired 100% of the holdings in Luce, owner of 75% of the units of the *Luce Brazil Equity Investment Fund* (*Luce Brasil Fundo de Investimento em Participações,* or **FIP Luce**), which in turn is the indirect holder, through Luce Empreendimentos e Participações S.A., of approximately 9.77% of the total and voting capital of Light.

The amount paid for the acquisition was R$ 516 million. As a result of this transaction and as specified in the Unit Holders Agreement of FIP Luce, **Braslight**, holder of the remaining 25% of the units of FIP Luce, acquired an option, for 60 days, to sell its interest to Parati.

On July 15, 2011 Parati, through Luce, was notified by Braslight that it had exercised its Option to Sell its interest of 25% in FIP Luce, which took place on July 28, 2011. The amount paid to Braslight for this acquisition was R$ 172 million.

With these acquisitions Parati became holder of 25.68% of the voting stock of Light. Cemig owns 25% of Parati, and Redentor Fundo de Investimento em Participações owns 75%.

Transmission assets of the Abengoa Group

Through its subsidiary **Taesa**, Cemig acquired a concession and an equity interest in a company of the Abengoa group, of Spanish origin, holding four transmission assets.

Taesa acquired:

(i) 50% of the shares held by Abengoa Concessões Brasil Holding S.A. in the share capital of **Abengoa Participações** Holding S.A. which, in turn, is holder of 100% of the total capital of the transmission companies:

STE Sul Transmissora de Energia S.A.,	**ATE** Transmissora de Energia S.A.,
ATE II Transmissora de Energia S.A., and	**ATE III** Transmissora de Energia S.A.

(ii) and 100% of the shares held by Abengoa Concessões Brasil Holding S.A. and by Abengoa Construção Brasil Ltda. in the share capital of

NTE Nordeste Transmissora de Energia S.A.

For the acquisition, Taesa paid R$ 1.163 billion, settled on November 25, 2011.

Renova Energia

Through **Light Energia** S.A., the group acquired 50 million shares issued by Renova Energia S.A. (**Renova**), injecting approximately R$ 360 million. This gave Light a 50% interest in the controlling stockholding block of Renova.

Renova is the holding company of a group founded in 2001 and listed on the BM&FBovespa in 2010. It is the first company generating electricity from alternative sources to be listed in Brazil. It operates in generation of electricity from renewable sources, including small hydro plants and wind farms.

Gasmig

On December 27, 2011 the Board of Directors authorized acquisition of nominal preferred shares representing 4.38% of the total capital of **Gasmig**, from the State of Minas Gerais, for R$ 67 million, corresponding to a price per share of approximately R$ 3.75. The price is to be adjusted to the amount indicated by an independent valuation opinion, which will be prepared by a specialized institution, to be chosen and contracted by Cemig.

The acquisition will also be conditional on complete conclusion of the transfer to Minas Gerais State of the stockholding interest in Gasmig, currently held in the name of MGI Minas Gerais Participações S.A., in such a way that there is no burden for this transaction for Cemig.

Other investments

As well as the new acquisitions, the group made the following other investments in 2011:

Generation

Cemig GT is carrying out a wide-ranging program of revitalization of its plants, aiming to extend their useful life. There are refurbishment and modernization projects in progress at the *São Simão, Volta Grande* and *Salto Grande* hydroelectric plants. The program is planned to continue until 2025, and also includes the *Três Marias, Itutinga, Camargos, Jaguara, Emborcação, Nova Ponte* and *Miranda* plants, with total planned investment of R$ 1.664 billion.

At the same time Cemig continues to invest in automation of its facilities. Remote assistance has now been put in place at 13 plants, 12 small hydro plants (PCH s) and 24 transmission substations. With its Automation Master Plan, Cemig will install remote assistance in 17 plants, 14 PCHs and 37 transmission substations. Completion of the whole program is planned for December 2016.

Transmission

Among the many investments made in transmission in 2011 we highlight those by Empresa Amazonense de Transmissão de Energia Elétrica S.A. (**EATE**) in four transmission lines: *Sorriso Sinop* (76km), *Novo Mutum Sorriso* (151km), *Parecis Brasnorte* (111km) and *Brasnorte Juína* (207km).

Cemig GT invested R$ 38 million in the construction of the *Pimenta* substation (138kV), and expansion of the *Neves 1* substation (500kV).

Distribution

Of the investment programs in the distribution activity, we highlight the following:

Distribution development Plan (PDD)

During the process of the Tariff Review for the 2008 2012 period, Cemig s Distribution and Sales Department (DDC) presented the regulator with a Distribution Development Plan (*Plano de Desenvolvimento da Distribuição*, or PDD), for the related period, specifying amounts totaling R$ 3.9 billion to be invested by **Cemig D** over 2008 2012.

Completion of the MacroProjects that comprise the PDD plan will facilitate sustainable growth in the market, by making electricity available, and will make a strong contribution to improving supply quality performance in terms of continuity, balance and voltage levels.

The Light for Everyone Program universalization of access to electricity

At the end of 2011 Cemig concluded the *Luz para Todos (Light for Everyone)* Program in Minas Gerais for the period of 2004 2011. This covered 774 municipalities of its concession area, and connected no less than 285,913 homes in the rural area to the electricity network for the first time this was almost 3 times the quantitative target of 105,000 homes initially specified by the Mining and Energy Ministry. Approximately R$ 3 billion was invested, in 633 municipalities, with 23% of the funding coming from the federal government, and 77% from the government of Minas Gerais State and from Cemig, bringing benefits to some 1.5 million people, and serving practically 100% of its concession area.

Natural gas

In 2011 **Gasmig** invested R$ 11.9 million in the gas pipeline networks of Minas Gerais, building 8.9km of pipeline network in the Metropolitan Region of Belo Horizonte, the South of Minas region (*Sul de Minas*), the Steel Valley (*Vale do Aço*) and the Mantiqueira region (*Juiz de Fora*).

A highlight of 2011 was a series of market studies for the start of works on the South Ring (*Anel Sul*) residential project for a steel pipeline to connect seven districts in the city of Belo Horizonte, to provide service to 66,700 clients by 2015.

As well as the residential segment, branches were completed for connection to vehicle fuel supply stations, industrial clients and commercial clients in the Metropolitan region of Belo Horizonte.

THE CAPITAL MARKET, AND DIVIDENDS

Cemig s shares were first listed on the Minas Gerais stock exchange on October 14, 1960, and were listed on the São Paulo Stock Exchange (Bovespa) in 1972, under the tickers CMIG3 for the ON (common) shares, and CMIG4 for the PN (preferred) shares. Since October 2001, we have been part of the Level 1 Corporate Governance listing of the Bovespa. Cemig s shares have also been traded on the Madrid Stock Exchange (as XCMIG) since 2002, and as ADRs on the New York Stock Exchange since 1993. Since 2001 they have been trading on the NYSE as level 2 ADRs.

Stockholding structure

On December 31, 2011 the Company s registered capital was R$ 3.412 billion, as shown in the following chart:

Share prices

The following were the closing prices of our shares on the stock exchanges of São Paulo (Bovespa), New York (NYSE) and Madrid (Latibex) at the end of 2010 and 2011:

Name	Ticker	Currency	Close of 2010	Close of 2011
Cemig PN	CMIG4	R$	24.24	33.27
Cemig ON	CMIG3	R$	18.36	27.30
ADR PN	CIG	US$	15.13	17.79
ADR ON	CIG.C	US$	11.07	14.11
Cemig PN (Latibex)	XCMIG	Euro	12.30	13.33

Source: Economática. Prices adjusted for proceeds, including dividends.

The total trading in Cemig s preferred shares, CMIG4, in 2011 on the São Paulo Stock Exchange was R$ 10.7 billion, with a daily average of just under R$ 48 million. This places the stock among the most traded on the Bovespa, providing investors with security and liquidity.

The daily volume traded in ADRs for the preferred shares on the New York Stock Exchange is similar to the trading volume in the Brazilian market further indicating the strength of Cemig as a global investment option.

Cemig s shares outperformed the São Paulo Stock Exchange index: CMIG3 rose 48.62% in the year, and CMIG4 rose 37.23%. This provided a total return to the stockholder, in 2011, of 14% for CMIG3 and 11% for CMIG4.

	CMIG4	CMIG3	CIG	CIG.C	IBOV	DJIA	IEE
2011	37.23%	48.62%	17.60%	27.46%	-18.11%	5.53%	19.72%

The market valuation is calculated as the total of the Company s shares, at the price of the preferred shares on the last trading day of each year, and is twice the Company s stockholders equity. The Company grew robustly in 2011 from 2010, demonstrating its constant objective of seek to add value and grow in a manner that is sustainable. Over the last five years Cemig s market valuation has increased by 50%:

Source: Economática. Based on non-adjusted share prices.

These charts compare Cemig s share prices over recent years with market indices.

DIVIDEND POLICY

Cemig, through its by-laws, assumes the undertaking to distribute a minimum dividend of 50% of the net profit for each year. Additionally, extraordinary dividends can be distributed each two years, or more frequently, if cash availability permits.

Dividends are paid in two equal installments: by June 30 and by December 30 of the year subsequent to the business year in which they were earned.

Extraordinary dividends

The Company made the following extraordinary payments in 2011 and 2010:

- In a meeting held on December 16, 2010, the Board of Directors decided to declare an extraordinary dividend, in the amount of R$ 900 million, or R$ 1.32 per share, using the profit reserve established under the by-laws for this purpose. The payment of these dividends took place on December 29, 2010.
- In a meeting held on December 15, 2011, the Board of Directors decided to declare an extraordinary dividend, in the amount of R$ 850 million, or R$ 1.25 per share, using the profit reserve established under the By-laws and other Profit Reserves for this purpose. These dividends were paid on December 28, 2011.

Dividend yield, %

PROPOSAL FOR ALLOCATION OF NET PROFIT

The Board of Directors will propose to the Annual General Meeting, to be held in April 2012, that the net profit for the year, of R$ 2.415 billion, should be allocated as follows:

- R$ 1.294 billion (53.58% of net profit) for payment of dividends.
- R$ 109 million to the Legal Reserve.

< R$ 1.012 billion to be retained in Stockholders equity.

CORPORATE GOVERNANCE

Cemig s Board of Directors has 14 members, appointed by the stockholders. In 2011, 26 meetings were held to decide on subjects ranging from strategic planning to investment projects.

We also have six Committees of Support to the Board of Directors. Their purpose is to ensure objectivity, consistency and quality in the decision process, providing an in-depth analysis of the matters within their specialization and issuing suggestions for decisions or actions, and opinions, to the Board.

The Audit Board is installed permanently, and has five members. In its current form, the Audit Board meets the requirements for exemption from constitution of an audit committee under the *Securities Act* and the *Sarbanes-Oxley* Law. In 2011 the Audit Board held 10 meetings.

Relationship with external auditors

We adopt a system of five-year rotation for our external independent auditors, complying with an order by the CVM (Securities Commission). Our financial statements are audited by KPMG Auditores Independentes. The services provided by independent auditors to Cemig and the majority of its subsidiaries were as follows:

Service	2011 R$ 000	% vs. auditing	2010 R$ 000	% vs. auditing
Audit of financial statements	624	100.00	1,113	100.00
Additional services:				
- Diagnostics and evaluation of internal controls SOX	255	40.90	239	21.49
- Review of tax returns and of the quarterly provisions for income tax and Social Contribution tax	121	19.33	76	6.83
- Audit of regulatory assets and liabilities	302	48.44	317	28.51
- Audit of R&D Projects	25	3.98	-	-
- Translation of reports	9	1.37	5	0.44
- Training in Corporate Tax Returns and changes in legislation	6	1.02	6	0.55
- Technical Financial Report for the State and World Bank - Pronoroeste Project	16	2.56	-	-
Overall total	**1,358**	**217.60**	**1,756**	**157.82**

The additional services do not, in the Board of Directors assessment, result in loss of independence by the external auditors and are not included in the items prohibited by the Sarbanes-Oxley Law nor by Article 23 of CVM Instruction 308 of May 14, 1999.

RISK MANAGEMENT

The risks within Cemig s corporate structure refer to events that could prevent it from achieving the objectives and the guidelines established by the Company s strategic planning. Risks are evaluated in terms of their financial impact, and the probability of their occurrence in the various businesses in the value chain.

Cemig manages risk on the basis of four aspects: objectives; risks; internal controls; and alignment.

In 2011 the Company created its Corporate Risk Monitoring Committee (CMRC), with the following remit:

(i) To propose, for approval by the Executive Board, guidelines, policies and procedures to be adopted in the process of management of corporate risks, to ensure continuous improvements in the process, and to make sure they are disseminated.
(ii) To select and present to the Executive Board, in its conclusions, priority actions addressing the risks categorized as critical .

(iii) To submit for approval by the Executive Board operational mechanisms for strategic monitoring of the corporate risks identified, and effective actions to reduce the levels of financial exposure and intangible impacts to an acceptable level, having regard to the mitigating action plans, aligned with the Company s Long-term Strategic Plan.

The Sarbanes-Oxley Law and certification of internal controls

Cemig received unqualified Certification of its Internal Controls for the consolidated financial statements, for the business year 2010, as stated in the Opinion of KPMG Auditores Independentes contained in its Annual Report filed on Form 20-F with the United States Securities and Exchange Commission (SEC) on June 29, 2011. This same result has been obtained since 2006.

Every year, based on an analysis and review of the mapping of risks in the processes at the business process and entity levels, the Company s management documents and tests the effectiveness of the controls, including the controls supported by information technology, in accordance with the rules of the Securities and Exchange Commission (SEC) and based on the criteria of the Public Company Accounting Oversight Board (PCAOB), of the *Committee of Sponsoring Organizations of the Treadway Commission* (Coso) and of the *Control Objectives for Information and Related Technology (Cobit).*

TECHNOLOGICAL MANAGEMENT AND INNOVATION

In 11 years of its research and development program, Cemig has sought to invest in innovative projects on the most varied range of themes related to its business. Under Law 9991 of the year 2000, every year 1% of net operational revenue of its principal subsidiaries is allocated to projects for Research & Development, and Energy Efficiency.

Early in 2011 Cemig and the Minas Gerais Research Support Foundation (*Fundação de Amparo à Pesquisa de Minas Gerais,* or Fapemig) signed a working agreement for R&D projects related to the electricity sector. R$ 150 million will be invested over the next five years. In this period Cemig will finance

R$ 100 million, and Fapemig will inject a further R$ 50 million.

Technology and alternative energy sources

Cemig continues to invest in projects that employ renewable energy sources, such as wind energy and solar energy, and small hydroelectric plants. In harmony with these efforts, there are also investments in projects focused on: rational use and conservation of energy; cogeneration, tri-generation and distributed generation; use of alternative fuels such as hydrogen, alcohol, natural gas, solid waste, industrial process wastes and biodiesel; improvement of electric vehicles; and plans for super-capacitors, intelligent windows and high temperature fuel cells.

In line with the global mobilization of awareness on climate change, Cemig has sought alternatives in energy all the way from the primary source to the final user, in the effort to ensure a sustainable future resulting from better use of electricity, with lower emissions.

Research and development projects

In 2010, 49 research and development projects were selected from a total of 220 received, and begun in 2011. The total investment of all the projects would have been R$ 480 million; total investment on the projects selected will be R$ 140 million. They are spread over 12 strategic theme areas of interest to Cemig and the electricity sector.

Following the signature of the working agreement with Fapemig and publication of a tender announcement in 2011, a further 229 proposals were submitted for projects costing a total of approximately R$ 385 million. The next phase of this process, selection and prioritization, is expected to be completed early in 2012. The expected result of that tender is that approximately R$ 30 million will be invested in projects to be begun in 2012.

It should also be noted that our R&D projects have successfully attracted tax benefits representing a reduction of R$ 8 million in Cemig s tax liability in 2011.

SOCIAL RESPONSIBILITY

As a provider of public services, we know that the relationship with the communities where we operate is not restricted to economic development, but also directly relates to the stage of social development.

Today Cemig is recognized for its sustainable activity and for its commitment to promote social development, generation of employment and social dignity through generation of electricity for all the citizens in the areas in which it operates.

Value added

The Value Added Statement (DVA) is an indicator of Cemig s importance for society in general, and its generation of wealth: the added value created in 2011 was measured as R$ 14.383 billion - compared to R$ 12.555 billion in 2010.

People

Cemig believes that its human capital is a fundamental element in complying with its commitment to economic, social and environmental sustainability. With this focus, it seeks to adopt best practices in the employment market in its management of people.

Attraction and retention of talents

Bringing together the Company s needs and its employees career development expectations, Cemig periodically carries out a process of internal mobility between careers, which provides employees with an entry into a professional career they are interested in, with both internal selection and an external competition.

As part of its management of talents for leadership, Cemig has held its Succession Management Program since 2007. The program aims to plan for replacement of leadership positions, and has become an appropriate tool for identifying potential successors with profiles that are appropriate to the competencies required. At present, 37% of the whole of Cemig s leadership has originated from the Succession Management Program. In December 2011 this program was named winner of the Funcoge 2011 award in the People Training and Development category.

Leadership Development Program

The Leadership Development program includes a series of education programs, among which we draw attention to: Cemig Leadership in Management (*Celig*), the *Advanced*

Management Program, the *Personal Skills Program for Potential Successors*, the *Paths of Leadership* Program, and the *International Tracks* Program.

Number of employees

Culture and society

In 2011 our sponsorships continued to be aligned with the strategy of maintenance of projects that create and maintain a user public, and develop specific segments, operating jointly with the current public policies to improve the cultural environment in Minas Gerais state.

The Company s two programs *Cemig Cultural,* and *Film it in Minas* supported 144 projects in 21 municipalities, meeting the aim intended by the Minas Gerais state Culture Department, of regionalizing production. The total invested in culture, including sponsorships receiving incentives from federal laws and donations of Cemig s own funds, was R$ 15.2 million.

Environment

Cemig carries out and manages a group of initiatives that seek to contribute to sustainable development. They include the environmental education program in schools, the environmental reserves, the programs for preservation of flora and fauna, the programs directed to preservation of fish, and programs for urban trees.

Funds invested in environmental activities (R$ million)

The environmental dimension

Cemig carries out numerous activities in favor of environmental sustainability. The quality of water in its principal reservoirs is monitored regularly. This chart shows the levels of the principal reservoirs of Cemig s power plants in 2011, compared to 2010.

Water storage levels at Cemig reservoirs, 2010 and 2011

Management of waste

The chart below shows the total of materials recycled or reused, and of waste allocated for final disposal, over the period 2008 to 2011, in tons. This includes lamps, insulating mineral oil, materials and equipment.

Fish study programs

Cemig launched its *Peixe Vivo* (*Fish Alive*) Program in 2007, to expand its efforts, in partnership with communities, fishermen and universities, to find and implement solutions to avoid or mitigate impacts on fish populations and create new fish preservation programs. In 2011 the number of fish released was 834,607   a total of 17,131.42kg of fish, released in 83 fish restocking actions.

One of the highlight projects in 2011 is a study of the behavior of fish downstream of dams. Using a technique never before employed in South America, acoustic telemetry, Cemig aims to obtain information for conservation of species and avoid deaths of fish in power plants during stoppages and start-up of rotors.

Fauna and Flora

To widen the knowledge and availability of information about fauna and flora in its areas of operation, Cemig GT maintains environmental stations with a total of more than 4,000 hectares in two important biomes; the Atlantic Forest and the *Cerrado*.

The *ASAS Forest Animals Release Area* program, developed in a partnership between Cemig and Ibama at the *Peti Environmental Station*, received 638 animals confiscated from animal traffickers in 2011. The project receives the animals, ensures that they recover and reintroduces them to the wild in carefully chosen locations that are similar to the species natural habitats.

Cemig has two forest nurseries, at the *Itutinga* and *Volta Grande Environmental Stations*, and a seed laboratory. The saplings produced are of native species, produced for planting in cities and towns, and represent one of Cemig s environmental programs in partnership with and for the benefit of society. Cemig produced 430,000 saplings, and a total of 89 hectares of riverbank forest, on seven reservoirs of the Company s generation plants, was replanted.

The quality of the water in Cemig reservoirs is monitored regularly, in a network that includes the main river basins of Minas Gerais, with a total of 43 reservoirs and more than 200 stations for collection of physical, chemical and biological data.

Environmental education

In 2009 Cemig launched its *Integrated Trees and Networks Handling Program* (*Programa Especial de Manejo Integrado de Árvores e Redes*, or Premiar), to manage Cemig s policies for handling of urban trees vis-à-vis electricity systems, to achieve harmonious coexistence between trees and the electricity network.

Since 2001 Cemig and its wholly-owned subsidiaries, in partnership with the **Biodiversitas Foundation**, have provided the *Cemig Program of Environmental Education in Schools* (*Terra da Gente*), which signed up 11 schools in 2001, bringing the total in the region of the *Campo das Vertentes* and *Sul de Minas* regions to 429 schools. The program provided teaching material to approximately 16,000 teachers, and involved more than 250,000 pupils.

Climate change

The global importance of debate on climate change leads Cemig to dedicate special attention to consolidation of its energy supply sources as predominantly renewable, and identification of business risks and opportunities, while focusing on a quest for solutions for adaptation and mitigation of the possible effects that could impact the Company s business.

To formalize its commitment on climate change, Cemig issued the document *Cemig 10 Initiatives for the Climate* (*Cemig 10 Iniciativas para o Clima*), which sets out the principal lines of its approach.

As well as giving priority to the participation of renewable energy sources among its sources of supply so far primarily through hydroelectric plants and wind farms Cemig has a large number of initiatives in progress connected with the climate, and also programs that develop more efficient use of energy in interaction with the community.

The publication of the document is testimony to the Company s efforts toward and commitment to a low-carbon economy, informing both society and investors of the lines of action it has undertaken.

RECOGNITION AWARDS

Cemig s efforts in 2011 led to recognition and awards reflecting the excellence of its activities by various sectors of society, among which we highlight the following:

<u>The Dow Jones Sustainability Index</u>

Cemig has once again been selected for inclusion in the *Dow Jones Sustainability World Index* (the DJSI World), for 2011 2012. This brings the number of years that Cemig has been in this index to 12, and it continues to be the only company in the Latin American electricity sector that has been in the DJSI World Index since the creation of index, in 1999. Being part of the Dow Jones Sustainability Index reflects the degree of responsibility in all Cemig s actions and commitment both to the world s population of today and to future generations.

<u>The ISE Corporate Sustainability Index</u>

Cemig was selected, for the seventh year running, for the São Paulo stock exchange s ISE Corporate Sustainability Index for 2011 12. The ISE reflects the return on a portfolio of shares listed on the BM&FBovespa that are recognized as committed to corporate sustainability, that is to say, they generate value for the stockholder in the long term, and are better prepared to maximize corporate opportunities, minimizing the risks associated with their activities.

The accounting profession s Transparency Trophy

Once again the accounting community gave recognition to the quality and clarity of Cemig s financial statements. 2011 was the eighth year running in which Cemig has won the Transparency Trophy (*Troféu Transparência*), awarded by *Anefac, Fipecafi, Serasa* and *Experian*, and Cemig was especially lauded for its track record in this award. The Company received its prize in the category of *Listed Companies Billing Over*

R$ 8 billion, as one of the 10 listed companies in Brazil with the best financial statements.

The Coge Foundation Prize

Cemig received this award in 2011 in the *People Training and Development* category, for its Succession Management Program. The award is a recognition of the Company s efforts in training and preparing leaders, and a recognition that people are one of the key factors that make possible the changes that are necessary for the strategic challenges and imperatives that the Company faces.

Electricity sector

Cemig once again received nationwide recognition for its activity in the electricity sector, with second place in electricity in the *As Melhores do Dinheiro* ranking organized by *Isto é Dinheiro* magazine. The award recognized companies that were outstanding in 27 sectors of the economy. In electricity, Cemig received highlight positions in three areas: First place in *Human Resources*; second place in *Corporate Governance*, and third place in *Financial Sustainability*.

The Abap Sustainability Award

Cemig once again won a distinguished position in the *Abap Sustainability Award*, with first place in the *Companies* category, in the third annual award of this prize. This is promoted by the Brazilian Advertising Agencies Association (*Associação Brasileira de Agências de Publicidade*, the Minas Gerais chapter being *Abap-MG*), and recognized the company s work in favor of cultural, social and environmental development of the State. Cemig won the award for the company or institution most remembered for sustainable actions in the cultural, social and environmental areas.

Apimec Award

Cemig s Chief Officer for Finance and Investor Relations, Luiz Fernando Rolla, was elected the *Best Investor Relations Professional of 2010* by the 2011 *Apimec* awards the 38th annual awards by the Brazilian Association of Capital Markets Investment Analysts and Professionals (*Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais, or* Apimec). The *Investor Relations Professional* category recognizes investor relations professionals in companies that have securities traded in the Brazilian market, and their obligatory information up to date with the Brazilian Securities Commission (CVM).

Sport-Friendly Companies award

Cemig was highlighted in two categories in the second annual Sport-Friendly Companies award (*Prêmio Empresário Amigo do Esporte*), promoted by the Ministry of Sport in 2011. It also won first place in the *Best Friend of Regional Sport* category, and third place in the category *Dedication and Incentive to Sport*.

The *Best Friend of Regional Sport* category rewards companies that invest in sports and Para Sports projects in 90 states of Brazil.

The *Dedication and Incentive to Sport* category is nationwide, and seeks to reward categories that have fulfilled the maximum of their sports incentive potential, that is to say allocating 1% of the total income tax paid, and have voluntarily declared that percentage in favor of sporting projects.

Best Communication with Journalists

The *Companies that Best Communicate with Journalists* award, promoted by *Negócios da Comunicação* (*Communications Business*) magazine, attested to the quality of the relationship that Cemig has with the media. In the electricity sector, Cemig was classified among the three best companies, based on a survey of 2,500 journalists from all over Brazil.

12th Annual *Best Annual Report* survey Honorable Mention

Cemig s Annual Report published in 2011 was highlighted under the *Strategy* criterion of the 12th annual *Abrasca* Awards, given by the Brazilian Listed Companies Association (*Associação Brasileira das Companhias Abertas*, or Abrasca). The award aims to encourage optimum quality of information presented to the market, and thus, ever-improving corporate governance mechanisms, among Brazil s listed companies.

National Quality Prize

Cemig was rewarded with two highlight positions in the National Quality Prize (PNQ), the most important prize recognizing management in Brazil. The award is offered by the National Quality Foundation (*Fundação Nacional da Qualidade, or* FNQ). Cemig s two wholly-owned subsidiaries, Cemig D (Distribution) and Cemig GT (Generation and Transmission) were highlighted in the awards in two criteria:

Processes and *Clients*.

The award, now in its 20th year, encourages improvement in quality of management and increase of competitiveness among Brazilian organizations. Last year, Cemig D won the status of Finalist in the awards.

The *Leaders of Brazil* Prize

In these awards, promoted by the Entrepreneurial Leaders Group (*Grupo de Líderes Empresariais, or* LIDE), *Brasil Econômico* newspaper and the *SBT* television network, **Cemig s CEO, Mr. Djalma Bastos de Morais**, received the *Leader in Environmental Management in 2011* Award. This was the first year of these awards, which recognized entrepreneurs and executives who stand out in their sectors and help keep Brazil in the world s headlines.

FINAL REMARKS

Cemig s management is grateful to its majority stockholder, Minas Gerais State, for the trust and support that it has constantly shown during the year. It also thanks the other federal, state and municipal authorities, the communities served by the Company, the stockholders, other investors, and, above all, its highly qualified group of employees, for their dedication.

SOCIAL STATEMENT

CONSOLIDATED

1 - Basis of calculations	2011 Amount (R$ 000)	2010 Amount (R$ 000)
Net sales revenue (NR)	15,814,227	13,846,934
Operational profit (OP)	4,416,547	3,646,795
Gross payroll (GP)	1,131,846	1,071,921

2 - Internal social indicators	NOMINAL R$ 000	% of GP	% of NR	NOMINAL R$ 000	% of GP	% of NR
Food	70,032	6.19	0.44	78,643	7.34	0.57
Mandatory charges and payments based on payroll	278,467	24.60	1.76	268,002	25.00	1.94
Private pension plan	67,393	5.95	0.43	107,038	9.99	0.77
Health	43,849	3.87	0.28	43,002	4.01	0.31
Safety and medicine in the workplace	10,786	0.95	0.07	11,001	1.03	0.08
Education	2,182	0.19	0.01	1,256	0.12	0.01
Culture	88	0.01	-	134	0.01	-
Training and professional development	26,200	2.31	0.17	38,687	3.61	0.28
Provision of or assistance for day-care centers	1,854	0.16	0.01	1,814	0.17	0.01
Profit sharing	218,156	19.27	1.38	325,085	30.33	2.35
Others	16,539	1.46	0.10	31,256	2.92	0.23
Internal social indicators Total	735,546	64.99	4.65	905,918	84.51	6.54

3 - External social indicators	NOMINAL R$ 000	% of OP	% of NR	Amount (R$ 000)	% of OP	% of NR
Education	1,024	0.02	0.01	401	0.01	-
Culture	15,273	0.35	0.10	18,578	0.51	0.13
Other donations/subsidies / ASIN project / Sport	84,600	1.92	0.53	58,460	1.60	0.42
Total contributions to society	100,897	2.28	0.64	77,439	2.12	0.55
Taxes (excluding obligatory payroll-related amounts)	8,396,455	190.11	53.09	7,073,605	193.97	51.08

External social indicators Total	8,497,352	192.39	53.73	7,151,044	196.09	51.63
4 - Environmental indicators	**Amount (R$ 000)**	**% of OP**	**% of NR**	**Amount (R$ 000)**	**% of OP**	**% of NR**
Capital expenditure related to company operations	116,532	2.64	0.74	86,686	2.38	0.63
In relation to setting of annual targets to minimize toxic waste and consumption during operations, and increase the efficacy of use of natural resources, the company:	(X) has no targets ( ) meets 0 50% of targets	( ) meets 0 50% of targets ( ) meets 0 50% of targets		(X) has no targets ( ) meets 0 50% of targets	( ) meets 0 50% of targets ( ) meets 0 50% of targets	

5 - Workforce indicators	**2011**	**2010**
Number of employees at end of period	8,706	8,859
Number of hirings during period	7	6
Number of outsourced employees	NA	NA
Number of interns	344	455
Number of employees over 45 years old	3,887	3,255
Number of women employed	1,131	1,149
% of supervisory positions held by women	12,6	14,28
Number of African-Brazilian employees	2,752	2,798
% of supervisory positions held by African-Brazilians	13,77	12,54
Number of employees with disabilities	47	54

6 - Corporate citizenship	2011			2012 targets		
Ratio of highest to lowest compensation			18.10			NA
Total number of work accidents			60			NA
Who selects the social and environmental projects developed by the company?	( ) senior management	(X) senior management and functional managers	( ) all the employees	( ) senior management	(X) senior management and functional managers	( ) all the employees
Who decides the company s work environment health and safety standards?	( ) senior management and functional managers	(X) all the employees	( ) All teams + IAPC (**)	( ) senior management and functional managers	(X) all the employees	( ) All teams + IAPC (**)
In relation to labor union freedom, the right to collective bargaining and/or internal employee representation, the company:	( ) doesn t get involved	(X) follows ILO rules	( ) encourages and follows ILO	( ) will not get involved	(X) will follow ILO rules	( ) will encourage and follow ILO
The company pension plan covers:	( ) senior management	( ) senior management and functional managers	(X) all the employees	( ) senior management	( ) senior management and functional managers	(X) all the employees
The profit-sharing program covers:	( ) senior management	( ) senior management and functional managers	(X) all the employees	( ) senior management	( ) senior management and functional managers	(X) all the employees
In selection of suppliers, the standards of ethics and social and environmental responsibility adopted by the company:	( ) are not considered	( ) are suggested	(x) are required	( ) will not be considered	( ) will be suggested	(X) will be required
In relation to employee participation in volunteer work programs, the company:	( ) doesn t get involved	( ) supports	(X) organizes and encourages	( ) will not get involved	( ) will support	(X) will organize and encourage
Total number of consumer complaints and criticisms:	In the company NA	At Procon NA	In Court NA	In the company NA	At Procon NA	In Court NA
% of complaints and criticisms met or solved:	In the company NA	At Procon NA	In Court NA	In the company NA	At Procon NA	In Court NA

Total added value distributable (R$ 000)	In 2011:		14,383,065	In 2010:		12,554,816
Distribution of added value (DVA)	58.38% government		9.00% stockholders	56.34% government		8.99% stockholders
	9.96% employees	14.87% others	7.79% retained	11.95% employees	13.73% others	8.99% retained

7 - Other information

I. Of total funds deployed on the environment in 2011, approximately R$ 53.7 million refers to the social-environmental programs put in place during the construction of new hydroelectric plants and transmission lines.

II. Waste generated is quantified, monitored and controlled in accordance with corporate procedures for handling, transport, storage and disposal. These procedures are developing in the direction of setting of annual targets for waste reduction.

III. We highlight the recycling of fluorescent lamps of the company s concession area, totaling 63 tons of lamps in 2011. Also, Cemig itself regenerated and re-used, in 2011, approximately 143 tons of insulating mineral oil withdrawn from electrical equipment.

III. Consumption of electricity and fuel is quantified annually; there are no targets for reduction.

IV. 14,799 tons of materials and equipment were sold or recycled. These materials include porcelain insulating components, scrap metal parts of meters, reactors, cables, wires and batteries.

* Recorded in the account line Investments related to the Company s operations .

MEMBERS OF BOARDS

BOARD OF DIRECTORS	
Dorothea Fonseca Furquim Werneck	Paulo Sérgio Machado Ribeiro
Djalma Bastos de Morais	Lauro Sérgio Vasconcelos David
Antônio Adriano Silva	Marco Antonio Rodrigues da Cunha
Arcângelo Eustáquio Torres Queiroz	Franklin Moreira Gonçalves
Francelino Pereira dos Santos	Leonardo Maurício Colombini Lima
João Camilo Penna	Guilherme Horta Gonçalves Júnior
Joaquim Francisco de Castro Neto	Adriano Magalhães Chaves
Maria Estela Kubitschek Lopes	Fernando Henrique Schüffner Neto
Guy Maria Villela Paschoal	Cezar Manoel de Medeiros
Eduardo Borges de Andrade	Tarcísio Augusto Carneiro
Otávio Marques de Azevedo	Paulo Márcio de Oliveira Monteiro
Paulo Roberto Reckziegel Guedes	Bruno Magalhães Menicucci
Ricardo Coutinho de Sena	Newton Brandão Ferraz Ramos
Saulo Alves Pereira Junior	José Augusto Gomes Campos

AUDIT BOARD	
Aristóteles Luiz Menezes Vasconcellos Drummond	Marcus Eolo de Lamounier Bicalho
Luiz Guaritá Neto	Ari Barcelos da Silva
Thales de Souza Ramos Filho	Aliomar Silva Lima
Vicente de Paulo Barros Pegoraro	Newton de Moura
Helton da Silva Soares	Rafael Cardoso Cordeiro

EXECUTIVE BOARD	
NAME	POST
Djalma Bastos de Morais	Chief Executive Officer
Arlindo Porto Neto	Deputy Chief Executive Officer
Fernando Henrique Schüffner Neto	Chief New Business Development Officer
Frederico Pacheco de Medeiros	Chief Corporate Management Officer
Fuad Jorge Noman Filho	Chief Officer for the Gas Division
José Carlos de Mattos	Chief Distribution and Sales Officer
José Raimundo Dias Fonseca	Chief Trading Officer
Luiz Fernando Rolla	Chief Finance and Investor Relations Officer
Luiz Henrique de Castro Carvalho	Chief Generation and Transmission Officer
Luiz Henrique Michalick	Chief Institutional Relations and Communication Officer
Maria Celeste Morais Guimarães	Chief Counsel

INVESTOR RELATIONS

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E-Mail: ri@cemig.com.br

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011 AND 2010

ASSETS

(THOUSANDS 0F R$)

	Note	Consolidated		Parent Company	
		2011	2010	2011	2010
CURRENT					
Cash and cash equivalents	6	2,862,490	2,979,693	226,695	302,741
Short-term investments	7	358,987	321,858	180,000	55
Consumers and traders	8	2,549,546	2,262,585	-	-
Concession holders - transport of energy		427,060	400,556	-	-
Financial assets of the concession	13	1,120,035	625,332	-	-
Recoverable taxes	9	354,126	374,430	72,570	5,233
Income tax and social contribution recoverable	10 a	220,760	489,813	-	-
Traders free energy transactions		22,080	29,959	-	-
Dividends receivable		-	-	195,196	230,405
Inventories		54,430	41,080	15	16
Other credits		562,135	560,270	8,801	13,889
TOTAL CURRENT ASSETS		8,531,649	8,085,576	683,277	552,339
NON- CURRENT					
Account receivable from the State of Minas Gerais Government	12	1,830,075	1,837,088	-	-
Credit Receivables Investment Fund	12	-	-	1,010,079	946,571
Deferred income tax and social contribution	10 b	2,036,087	1,800,567	424,449	345,472
Recoverable taxes	9	327,948	139,883	4,334	426
Income tax and social contribution recoverable	10 a	23,605	83,438	19,548	80,117
Escrow deposits	11	1,387,711	1,027,206	275,721	195,517
Consumers and traders	8	158,770	95,707	-	-
Other credits		184,367	138,413	50,694	31,737
Financial assets of the concession	13	8,777,822	7,315,756	-	-
Investments	14	176,740	-	11,994,523	11,313,969
Property, plant and equipment	15	8,661,791	8,228,513	1,723	2,066
Intangible assets	16	5,261,181	4,803,687	657	838
TOTAL, NON-CURRENT		28,826,097	25,470,258	13,781,728	12,916,713
TOTAL ASSETS		**37,357,746**	**33,555,834**	**14,465,005**	**13,469,052**

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011 AND 2010

LIABILITIES AND SHAREHOLDERS EQUITY

(THOUSANDS OF R$)

	Note	Consolidated		Parent Company	
		2011	2010	2011	2010
CURRENT					
Suppliers	17	1,189,848	1,121,009	12,059	1,687
Regulatory charges	20	368,229	384,415	-	-
Employee profit sharing		89,512	116,183	9,357	5,129
Taxes payable	18a	516,553	403,533	35,740	32,836
Income tax and social contribution payable	18b	129,384	137,035	-	-
Interest on capital and dividends payable		1,243,086	1,153,895	1,243,086	1,153,895
Loans and financings	19	4,382,069	1,573,885	1,011,830	373,599
Debentures	19	3,438,991	628,681	-	-
Payroll and related charges		271,891	243,258	12,987	12,478
Employee post-retirement benefits	21	100,591	99,220	3,706	3,703
Provision for losses on financial instruments		25,764	69,271	-	-
Related parties		-	-	8,646	6,687
Other obligations		414,049	472,973	15,137	14,655
TOTAL CURRENT LIABILITIES		**12,169,346**	**6,403,358**	**2,352,548**	**1,604,669**
NON- CURRENT					
Regulatory charges	20	262,202	142,481	-	-
Loans and financings	19	5,358,450	6,244,475	18,397	36,794
Debentures	19	2,599,559	4,779,449	-	-
Taxes payable	18a	897,087	692,803	-	-
Deferred Income tax and social contribution	18b	1,234,024	1,065,399	-	-
Provisions	22	549,439	370,907	185,952	187,553
Concessions payable		129,696	117,802	-	-
Employee post-retirement benefits	21	2,186,568	2,061,608	96,245	92,349
Other obligations		226,427	201,419	66,915	71,554
TOTAL, NON-CURRENT LIABILITIES		**13,443,452**	**15,676,343**	**367,509**	**388,250**
TOTAL LIABILITIES		**25,612,798**	**22,079,701**	**2,720,057**	**1,992,919**
[redacted]					
Share capital		3,412,073	3,412,073	3,412,073	3,412,073
[redacted]					
Profit reserves		3,292,871	2,873,253	3,292,871	2,873,253
[redacted]					
Accumulated foreign currency translation adjustment		5,354	(772)	5,354	(772)
[redacted]					

TOTAL SHAREHOLDERS EQUITY	**11,744,948**	**11,476,133**	**11,744,948**	**11,476,133**

The notes are an integral part of these financial statements.

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CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(THOUSANDS OF R$, EXCEPT EARNINGS PER SHARE)

	Note	Consolidated		Parent Company	
		2011	2010 (Reclassified)	2011	2010
REVENUES	24	15,814,227	13,846,934	347	432
OPERATING COSTS					
COST OF ELECTRICITY AND GAS	25				
Electricity purchased for resale		(4,277,980)	(3,721,585)	-	-
Charges for the use of the basic transmission grid		(830,024)	(728,839)	-	-
Gas purchased for resale		(329,105)	(225,398)	-	-
		(5,437,109)	(4,675,822)	-	-
OPERATING COST	25				
Personnel and management		(933,954)	(967,117)	-	-
Materials		(72,801)	(125,613)	-	-
Outsourced services		(739,674)	(804,921)	-	-
Depreciation and amortization		(866,977)	(866,709)	-	-
Operating provisions		(70,598)	(14,202)	-	-
Royalties for usage of water resources		(153,979)	(140,404)	-	-
Cost of Construction		(1,529,269)	(1,327,693)	-	-
Other		(152,463)	(45,913)	-	-
		(4,519,715)	(4,292,572)	-	-
TOTAL COST		**(9,956,824)**	**(8,968,394)**	**-**	**-**
GROSS PROFIT		**5,857,403**	**4,878,540**	**347**	**432**
OPERATING EXPENSES	25				
Selling expenses		(189,820)	(283,180)	-	-
General and administrative expenses		(840,961)	(367,141)	(68,915)	30,618
Other operating expenses		(413,713)	(581,424)	(23,423)	(9,339)
		(1,444,494)	(1,231,745)	(92,338)	21,279
Operating profit before finance expenses and income taxes		**4,412,909**	**3,646,795**	**(91,991)**	**21,711**
Equity gain (loss) on subsidiaries		(744)	-	2,520,216	2,104,382
Financial revenues	26	994,995	849,098	173,469	63,494
Financial expenses	26	(2,050,786)	(1,673,607)	(167,469)	(66,213)
[redacted]					
[redacted]					

Deferred income tax and social contribution	10c	170,527	307,620	124,512	253,348
PROFIT FOR THE YEAR		**2,415,450**	**2,257,976**	**2,415,450**	**2,257,976**
Basic earnings per preferred and common share	**23**	**3.54**	**3.41**	**3.54**	**3.41**
Diluted earnings per preferred and common share	**23**	**3.54**	**3.41**	**3.54**	**3.41**

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(THOUSANDS OF R$)

	Note	Consolidated 2011	Consolidated 2010	Parent Company 2011	Parent Company 2010
PROFIT FOR THE YEAR		**2,415,450**	**2,257,976**	**2,415,450**	**2,257,976**
OTHER COMPREHENSIVE INCOME					
Foreign currency translation differences for foreign operations		6,126	(922)	6,126	(922)
Cash flow hedge instruments		(1,252)	2.111	(1,252)	2.111
Deferred income tax and social contribution		426	(718)	426	(718)
		(826)	1,393	(826)	1,393
COMPREHENSIVE INCOME FOR THE YEAR		**2,420,750**	**2,258,447**	**2,420,750**	**2,258,447**

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(THOUSANDS OF R$)

	Share capital	Capital reserves	Profit reserves	Accumulated other comprehensive income	Accumulated foreign currency translation adjustment	Accumulated losses	Funds allocated for capital increase	Total shareholders equity
BALANCE AT DECEMBER 31, 2009	**3,101,884**	**3,969,099**	**3,177,248**	**1,343,383**	**150**	**(453,387)**	**27,124**	**11,165,501**
Profit for the year	-	-	-	-	-	2,257,976	-	2,257,976
Other comprehensive income:								
Foreign currency transaction differences	-	-	-	-	(922)	-	-	(922)
Cash flow hedge instruments	**-**	-	-	1,393	-	-	-	1,393
Total comprehensive income for the year	**-**	**-**	**-**	**1,393**	**(922)**	**2,257,976**		**2,258,447**
Transactions with shareholders recorded directly in shareholders equity								
Ordinary Dividends (R$1.65 per share)	-	-	-	-	-	(1,128,988)	-	(1,128,988)
Extraordinary Dividends (R$1.32 per share)	-	-	(900,000)	-	-	-	-	(900,000)
Proposed additional dividends (R$$0.10 per share)	-	-	67,086	-	-	(67,086)	-	-
Other changes in shareholders equity								
Capital increase	310,189	(15,249)	(294,940)	-	-	-	-	
	-	-	-	-	-	81,173	-	81,173

Acquisition of jointly-controlled subsidiaries effect of first-time adoption of IFRS								
Constitution of Reserves							-	
Legal reserve	-	-	112,899	-	-	(112,899)	-	-
Retained earnings	-	-	710,960	-	-	(710,960)	-	-
Realization of reserves	-	-	-	-	-	-	-	-
Revaluation of property, plant and equipment	-	-	-	(134,171)	-	134,171	-	-
BALANCE AT DECEMBER 31, 2010	**3,412,073**	**3,953,850**	**2,873,253**	**1,210,605**	**(772)**	**-**	**27,124**	**11,476,133**
BALANCE AT DECEMBER 31, 2010	**3,412,073**	**3,953,850**	**2,873,253**	**1,210,605**	**(772)**	**-**	**27,124**	**11,476,133**
Profit for the year	-	-	-	-	-	2,415,450	-	2,415,450
Other comprehensive income:								
Foreign currency transaction differences	-	-	-	-	6,126	-	-	6,126
Cash flow hedge instruments	**-**	**-**	-	(826)	-	-	-	(826)
Total comprehensive income for the year	**-**	**-**	**-**	**(826)**	**6,126**	**2,415,450**	**-**	**2,420,750**
Transactions with shareholders recorded directly in shareholders equity								
Ordinary Dividends (R$ 1.77 per share)	-	-	-	-	-	(1,207,725)	-	(1,207,725)
Extraordinary Dividends (R$1.25 per share)	-	-	(850,000)	-	-	-	-	(850,000)
Proposed additional dividends of 2010 paid in 2011 (R$0.10 per share)	-	-	(67,086)	-	-	-	-	(67,086)
Proposed additional dividends of 2011(R$$0.13 per share)	-	-	86,316	-	-	(86,316)	-	-
Other changes in shareholders equity								
Devolution of Funds allocated for capital increase	-	-	-	-	-	-	(27,124)	(27,124)
Constitution of Reserves								
Legal reserve	-	-	109,210	-	-	(109,210)	-	-
Retained earnings	-	-	1,141,178	-	-	(1,141,178)	-	-

Realization of reserves								
Revaluation of property, plant and equipment	-	-	-	(128,979)	-	128,979	-	-
BALANCE AT DECEMBER 31, 2011	**3,412,073**	**3,953,850**	**3,292,871**	**1,080,800**	**5,354**	**-**	-	**11,744,948**

The notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(THOUSANDS OF R$)

	Consolidated		Parent Company	
	2011	2010 (Reclassified)	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
PROFIT FOR THE YEAR	2,415,450	2,257,976	2,415,450	2,257,976
Expenses (revenues) not affecting cash and cash equivalents				
Income tax and social contribution	(170,527)	(307,620)	(124,512)	(253,348)
Depreciation and amortization	939,327	895,581	370	222
Loss on disposal of property, plant and equipment and intangible assets	21,434	502	183	823
Equity gain (loss) on subsidiaries	744	-	(2,520,216)	(2,104,382)
Interest and monetary variation	(782,764)	(515,615)	(184,280)	(40,596)
Operating provisions	342,161	(77,801)	(1,892)	(138,479)
Amortization of goodwill on acquisitions	85,520	71,746	-	-
Employee post-retirement benefits	286,578	208,048	13,671	-
Other	-	-	(29)	14,636
	3,137,923	2,532,817	(401,255)	(263,148)
(Increase) / decrease in assets				
Consumers and traders	(513,653)	(32,243)	-	-
Accounts receivable from the Minas Gerais State Government	173,233	115,964	-	-
Recoverable taxes	(64,129)	107,526	34,859	34,327
Income tax and social contribution recoverable	328,886	(74,806)		
Concession holders transport of energy	(26,504)	(33,572)	-	-
Escrow deposits	(225,658)	(399,639)	54,643	(100,056)
Dividends received from subsidiaries	-	-	2,285,883	2,266,708
Financial assets	659,702	501,418	-	-
Other	(53,290)	(124,630)	(35,692)	50,287
	278,587	60,018	2,339,693	2,251,266
Increase (decrease) in liabilities				
Suppliers	68,839	268,814	10,372	(12,588)
Taxes payable	317,304	1,516	2,904	40,690
Payroll and related charges	28,633	(110,033)	509	(5,945)
Regulatory charges	103,535	60,181	-	-
Loans, financings and debentures	245,911	285,747	(11,769)	241
Employee post-retirement benefits	(160,247)	(56,247)	(9,772)	(10,125)
Other	(122,296)	333,260	2,321	68,429
	481,679	783,238	(5,435)	80,702
NET CASH FROM OPERATING ACTIVITIES	3,898,189	3,376,073	1,933,003	2,068,820

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	Consolidated		Parent Company	
	2011	2010 (Reclassified)	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES				
In investments	(177,484)	-	(411,012)	(891,415)
In short-term investments	(37,129)	(321,858)	(179,945)	(55)
In financial assets of the concession	(1,025,894)	(1,477,201)	-	-
In property, plant and equipment	(924,223)	(347,479)	-	(699)
In intangible assets	(1,851,993)	(2,297,772)	-	-
NET CASH USED IN INVESTING ACTIVITIES	(4,016,723)	(4,444,310)	(590,957)	(892,169)
CASH FLOWS OF FINANCING ACTIVITIES				
Loans, financings and debentures obtained	4,255,451	6,227,342	1,000,000	350,000
Repayment of loans, financings and debentures	(2,218,500)	(4,775,489)	(368,397)	(18,396)
Payments of FIDC Fund	-	-	-	(33,336)
Interest on capital and dividends paid	(2,035,620)	(1,828,882)	(2,035,620)	(1,828,882)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,331	(377,029)	(1,418,092)	(1,530,614)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(117,203)**	**(1,445,266)**	**(76,046)**	**(353,963)**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS				
Beginning of the year	2,979,693	4,424,959	302,741	656,704
End of the year	2,862,490	2,979,693	226,695	302,741
	(117,203)	**(1,445,266)**	**(76,046)**	**(353,963)**
PAYMENTS MADE IN THE YEAR				
Interest on loans, financings and debentures	1,082,453	803,131	32,665	7,744
Income tax and social contribution	885,373	501,846	41,604	31,674
NONCASH TRANSACTIONS				
Financial charges transferred to property, plant and equipment	46,643	17,116	**-**	**-**

The notes are an integral part of these financial statements.

STATEMENTS OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(THOUSANDS OF R$)

	Consolidated 2011		Consolidated 2010 (Reclassificado)		Parent Company 2011		Parent Company 2010	
REVENUES								
Sales of electricity, gas and services	22,810,729		19,941,661		347		432	
Provision for doubtful receivables	(163,629)		(104,983)		-		-	
	22,647,100		19,836,678		347		432	
INPUTS ACQUIRED FORM THIRD PARTIES								
Electricity bought for resale	(4,277,980)		(3,721,585)		-		-	
Charges for the use of the basic transmission grid	(830,024)		(728,839)		-		-	
Outsourced services	(1,030,827)		(923,315)		(12,962)		(14,967)	
Gas purchased for resale	(329,105)		(225,398)		-		-	
Materials	(97,752)		(133,660)		(222)		(372)	
Cost of Construction	(1,529,269)		(1,327,693)		-		-	
Other operating costs	(266,349)		(206,549)		(17,261)		99,076	
	(8,361,306)		(7,267,039)		(30,445)		83,737	
GROSS VALUE ADDED	**14,285,794**		**12,569,639**		**(30,098)**		**84,169**	
RETENTIONS								
Depreciation and amortization	(939,327)		(895,581)		(370)		(222)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**13,346,467**		**11,674,058**		**(30,468)**		**83,947**	
TRANSFERRED ADDED VALUE								
Equity gain (loss) on subsidiaries	(744)		-		2,520,216		2,104,382	
Financial revenues	1,037,342		880,758		215,425		102,038	
	1,036,598		880,758		2,735,641		2,206,420	
ADDED VALUE TO BE DISTRIBUTED	**14,383,065**		**12,554,816**		**2,705,173**		**2,290,367**	
DISTRIBUTION OF ADDED VALUE		**%**		**%**		**%**		**%**

Employees	**1,433,023**	**9.95**	**1,499,676**	**11.95**	**51,272**	**1.89**	**52,815**	**2.31**
Direct remuneration	1,002,811	6.96	1,041,447	8.31	26,173	0.97	20,916	0.92
Benefits	349,526	2.43	339,538	2.70	18,069	0.67	18,945	0.83
FGTS	60,414	0.42	78,439	0.62	3,251	0.12	3,108	0.13
Other	20,272	0.14	40,252	0.32	3,779	0.13	9,846	0.43
Taxes, charges and contributions	**8,396,455**	**58.38**	**7,073,605**	**56.34**	**70,154**	**2.59**	**(87,520)**	**(3.82)**
Federal	4,779,297	33.23	3,885,486	30.95	70,041	2.59	(87,726)	(3.83)
State	3,609,457	25.10	3,174,390	25.28	58	-	189	0.01
Municipal	7,701	0.05	13,729	0.11	55	-	17	-
Remuneration of third party capital	**2,138,137**	**14.87**	**1,723,559**	**13.73**	**168,297**	**6.22**	**67,096**	**2.93**
Interest	2,050,786	14.26	1,665,925	13.27	167,469	6.19	66,213	2.89
Rentals	87,351	0.61	57,634	0.46	828	0.03	883	0.04
Remuneration of own capital	**2,415,450**	**16.80**	**2,257,976**	**17.98**	**2,415,450**	**89.30**	**2,257,976**	**98.58**
Interest on equity, and dividends	1,207,725	8.40	1,128,988	8.99	1,207,725	44.65	1,128,988	49.29
Retained earnings	1,207,725	8.40	1,128,988	8.99	1,207,725	44.65	1,128,988	49.29
	14,383,065	**100.00**	**12,554,816**	**100.00**	**2,705,173**	**100.00**	**2,290,367**	**100.00**

The notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2011 AND 2010

(FIGURES IN THOUSANDS OF R$, EXCEPT WHERE OTHERWISE INDICATED)

1. OPERATIONS

a) The Company

Companhia Energética de Minas Gerais (CEMIG or the Company) is a listed Brazilian corporation, enrolled on the Brazilian Registry of Corporate Taxpayers (CNPJ) under 17.155.730/0001-64. Its shares are traded at Corporate Governance Level 1 on the BM&FBovespa exchange (Bovespa) and on the New York (NYSE) and Madrid (Latibex) Stock Exchanges. The Company is an entity domiciled in Brazil, with its head office at Avenida Barbacena 1200, Belo Horizonte, Minas Gerais. It operates exclusively as a holding company, with equity interests in individually or jointly controlled subsidiaries. The main objectives of its subsidiaries are the construction and operation of systems for generation, transformation, transmission, distribution and trading of electric power, as well as the development of activities in the different energy fields, for commercial purposes.

CEMIG has equity interests in the following subsidiaries and jointly controlled entities that were in operation at December 31, 2011:

< Cemig Geração e Transmissão S.A. (Cemig Geração e Transmissão) (subsidiary) Electric power generation and transmission, through 52 power plants (46 hydroelectric power plants, 4 wind power plants and 2 thermoelectric power plants) and transmission lines, mostly belonging to the Brazilian national generation and transmission grid system.

Cemig Geração e Transmissão has equity interests in the following subsidiaries and jointly controlled entities:

- Hidrelétrica Cachoeirão S.A. (Cachoeirão) (jointly controlled): Production and sale of electric power as an independent power producer, through the Cachoeirão hydroelectric power plant located at Pocrane, in the State of Minas Gerais. The plant began operating in 2009;

- Baguari Energia S.A. (Baguari Energia) (jointly controlled): Construction, operation, maintenance and commercial operation of the Baguari Hydroelectric Plant, through participation in the UHE Baguari Consortium (Baguari Energia 49.00% and Neoenergia 51.00%), located on the Doce river in Governador Valadares, the State of Minas Gerais. The plant began operation of its units during the period from September 2009 to May 2010;

- Transmissora Aliança de Energia Elétrica S.A (TAESA) (jointly controlled): Construction, operation and maintenance of electric power transmission facilities in 11 states of Brazil. TAESA has the following subsidiaries: Empresa de Transmissão do Alto Uruguai S.A. (ETAU), Brasnorte Transmissora de Energia S.A. (Brasnorte) and Abengoa.

- Central Eólica Praias de Parajuru S.A. (Parajuru) (jointly controlled): Production and sale of electric power through the Parajuru wind farm, in the city of Beberibe, in the State of Ceará. The plant began operating in August 2009;

- Central Eólica Praia do Morgado S.A. (Morgado) (jointly controlled): Production and sale of electric power at the Morgado wind farm in the city of Acaraú in the State of Ceará, Northern Brazil. The plant began operating in May 2010.

- Central Eólica Volta do Rio S.A. (Volta do Rio) (jointly controlled): Production and sale of electric power at the Volta do Rio Wind Farm in the city of Acaraú in the State of Ceará, Northern Brazil. The plant began operating in September 2010.

- Hidrelétrica Pipoca S.A. (Pipoca) (jointly controlled): Independent production of electric power, through construction and commercial operation of the Pipoca PCH (Small Hydro Plant), located on the Manhuaçu River, in the cities of Caratinga and Ipanema, in the State of Minas Gerais. The plant began operating in October 2010.

- Empresa Brasileira de Transmissão de Energia S.A. (EBTE) (jointly-controlled): Holder of a public electric power transmission service concession, through the transmission lines in the State of Mato Grosso. The transmission facility began operating in June 2011;

Subsidiaries and jointly-controlled subsidiaries of Cemig Geração e Transmissão at development stage:

- Guanhães Energia S.A. (Guanhães Energia) (jointly controlled): Production and trade of electric power through construction and commercial operation of the following Small Hydroelectric Plants (PCHs) in the State of Minas Gerais: Dores de Guanhães, Senhora do Porto and Jacaré, in the city of Dores de Guanhães; and Fortuna II, in the city of Virginópolis. It is scheduled to start operating the first turbine in October 2013;

- Cemig Baguari Energia S.A. (Cemig Baguari) (subsidiary): Production and trade of electric power as an independent power producer, in future projects;

- Madeira Energia S.A. (Madeira) (jointly controlled): Implementation, construction, operation and commercial operation through its subsidiary Santo Antônio Energia S.A., of the Santo Antônio hydroelectric power plant located in the Madeira river basin in the State of Rondônia, with commercial operations start-up scheduled for 2012. Madeira incurred certain losses in recent years as it has been in a pre-operating stage, and at December 31, 2011, Madeira had a negative net working capital (current liabilities in excess of current assets) in the amount of R$1,353,287 in its holding company and R$1,279,002 when consolidated, R$127,900 of which rolls up into the financial information of Cemig GT based on its equity interest. Madeira was in a negative net working capital position at December 31, 2011 primarily because its debentures balance is due on September 30, 2012. In order to balance its working capital position, Madeira will receive a capital increase from its shareholders including Cemig GT, estimated at R$2,881,000 for the year 2012, to meet its short-term obligations. In its balance sheet as at December 31, 2011, Madeira has presented capital expenditures related to the construction and development project for the construction of the plant, which according to financial projections, should be absorbed by future revenue from operations. Madeira´s property, plant and equipment balance at December 31, 2011 was approximately R$11,510,013 (R$1,151,001 of which rolls up into the financial information of Cemig GT). According to management´s expectations, operations are scheduled to commence in the first quarter of 2012.

- Lightger S.A. (Lightger) (jointly controlled): Independent electric power production through construction and commercial operation of the hydroelectric powerstation referred to as the Paracambi Small Hydroelectric Power Plant, on the Ribeirão das Lages river in the city of Paracambi, in the State of Rio de Janeiro. The start up of operations is scheduled for the first semester of 2012;

- Amazônia Energia Participações S.A (Amazônia Energia) (jointly controlled) Special Purpose Company (SPC) established by Cemig Geração e Transmissão and Light, for the purpose of acquisition of a 9.77% interest of North Energia SA (NESA), a holding company of the concession of the Belo Monte hydroelectric power plant (Belo Monte Hydroelectric Plant). Cemig Geração e Transmissão holds a 74.5% interest in Amazônia Energia and Light holds 25.5%. The start up of operations is scheduled for February 2015;

< Cemig Distribuição S.A. (Cemig Distribuição) (subsidiary) Distribution of electric power through

distribution grids and lines in practically all of the State of Minas Gerais;

< Light S.A. (Light) (jointly controlled): Holding company that holds direct and indirect interests in other companies for operating electric power services, including generation, transmission, trading or distribution, and other related services. Light has the following subsidiaries and jointly-controlled subsidiaries:

- Light Serviços de Eletricidade S.A. (Light SESA) (subsidiary) listed company in Bovespa: Operating mainly in electric power distribution, in various municipalities of the State of Rio de Janeiro;

- Light Energia S.A. (Light Energia) (private subsidiary): Its main activities are studying, planning, building and commercially operating systems for generation, transmission, trading of electric power and related services. Light Energia has equity interests in Central Eólica São Judas Tadeu Ltda., Central Eólica Fontainha Ltda. and Renova Energia S.A.;

- Light Esco Prestação de Serviços Ltda. (Light Esco) (subsidiary): Its main activity is purchasing, selling, importing and exporting of electric power, and providing of consulting services in the energy sector;

- Itaocara Energia Ltda. (Itaocara Energia) (subsidiary): A company in the development stage its main activities are the planning, construction, installation and commercial operation of electric power plants;

- Lightger Ltda. (Lightger) (jointly controlled): A company in the development stage, set up to participate in auctions of concessions, authorizations and permissions in new power plants. On December 24, 2008, Lightger obtained its installation license, authorizing the start of construction of its Paracambi Small Hydroelectric Plant. It is a jointly-controlled subsidiary of Light S.A. (with 51%) and Cemig GT (with 49%). The start up of operations is scheduled for beginning of 2012;

- Lighthidro Ltda. (Light Hidro) (subsidiary): A company in the development stage, set up to participate in auctions of concessions, authorizations and permissions in new power plants;

- Instituto Light para o Desenvolvimento Urbano e Social (Instituto Light): Its purpose is to participate in social and cultural projects, with a focus on the economic and social development of cities;

- Lightcom Comercializadora de Energia S.A. (Lightcom) (subsidiary): Involved in purchasing, selling, importing and exporting electric power and general consulting services in the free and regulated markets for electric power;

- Axxiom Soluções Tecnológicas S.A. (Axxiom) (jointly controlled): It provides technological solutions and systems for operational management of public service concessions, including electric power, gas, water and waste companies and other utilities. Jointly controlled by Light S.A (51%) and CEMIG (49%);

- Sá Carvalho S.A. (Sá Carvalho) (subsidiary): Production and sale of electric power, as an electric power public service concession holder, through the Sá Carvalho hydroelectric power plant;

- Usina Térmica Ipatinga S.A. (Ipatinga) (subsidiary): Production and sale, as an independent power producer, of thermoelectric power, through the Ipatinga thermoelectric power plant, located on the facilities of Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS;

- Companhia de Gás de Minas Gerais GASMIG (GASMIG) (jointly controlled): Acquisition, transport and distribution of natural gas and related products, through a concession for distribution of gas in the State of Minas Gerais.;

- Cemig Telecomunicações S.A. (Cemig Telecom) (subsidiary): Providing telecommunications services and developing activities related to them, through an integrated system consisting of optical fiber cables, coaxial cables, and electronic and associated equipment (multi-service network). It holds 49% of Ativas Data Center (Ativas) (jointly controlled), the principal activity of which is providing services to supply IT and communications infrastructure, comprising hosting and related services for medium and large-sized corporations;

- Efficientia S.A. (Efficientia) (subsidiary): Providing energy efficiency and optimization services and energy solutions through studies and execution of projects, as well as providing operation and maintenance services in energy supply facilities;

- Horizontes Energia S.A. (Horizontes) (subsidiary): Production and sale of electric power, as an independent power producer, through the Machado Mineiro and Salto do Paraopeba hydroelectric power plants in the the State of Minas Gerais, and the Salto do Voltão and Salto do Passo Velho power plants in the State of Santa Catarina;

- Central Termelétrica de Cogeração S.A. (Cogeração) (subsidiary): Production and sale of thermoelectric power produced as an independent producer in future projects;

< Rosal Energia S.A. (Rosal) (subsidiary): Production and sale of electric power, as an electric power public service concession holder, through the Rosal hydroelectric power plant located on the border between the States of Rio de Janeiro and Espírito Santo, Brazil;

< Empresa de Serviços e Comercialização de Energia Elétrica S.A. (formerly Central Hidrelétrica Pai Joaquim S.A. (subsidiary): Production and sale of electric power as an independent power producer in future projects;

< Cemig PCH S.A. (PCH) (subsidiary): Production and sale of electric power as an independent power producer, through the Pai Joaquim hydroelectric power plant;

< Cemig Capim Branco Energia S.A. (Capim Branco) (subsidiary): Production and sale of electric power as an independent power producer, through the Amador Aguiar I and II hydroelectric power plants, built through a consortium with private sector partners;

< Usina Termelétrica Barreiro S.A. (Barreiro) (subsidiary): Production and sale of electric power, as an independent thermoelectric power producer, through the construction and operation of the UTE Barreiro thermoelectric power plant, located in the facilities of V&M do Brasil S.A., in the State of Minas Gerais;

< Cemig Trading S.A. (Cemig Trading) (subsidiary): Sale and brokerage of electric power;

< Companhia Transleste de Transmissão (Transleste) (jointly controlled): Operation of the transmission line connecting the substation located in Montes Claros and the substation of the Irapé hydroelectric power plant;

< Companhia Transudeste de Transmissão (Transudeste) (jointly controlled): Construction, operation and maintenance of the Itutinga Juiz de Fora transmission line;

< Companhia Transirapé de Transmissão (Transirapé) (jointly controlled): Construction, operation and maintenance of the Irapé Araçuaí transmission line;

< Empresa Paraense de Transmissão de Energia S.A. (ETEP) (jointly controlled): Holder of an electric power public service concession for a transmission line in the State of Pará. ETEP has set up the subsidiary Empresa Santos Dumont de Energia S.A. (ESDE);

< Empresa Norte de Transmissão de Energia S.A. (ENTE) (jointly controlled): Holder of an electric power public service concession for transmission through two transmission lines in the States of Pará and Maranhão;

< Empresa Regional de Transmissão de Energia S.A. (ERTE) (jointly controlled): Holder of an electric power public service concession for a transmission line in the State of Pará;

< Empresa Amazonense de Transmissão de Energia S.A. (EATE) (jointly controlled): Holder of an electric power public service concession for the transmission lines between the substations of Tucuruí, Marabá, Imperatriz, Presidente Dutra and Açailândia. EATE has interests in the following transmission companies: Empresa Brasileira de Transmissão de Energia S.A. (EBTE) (jointly controlled); Sistema de Transmissão Catarinense S.A. (STC) (subsidiary) and Lumitrans Companhia Transmissora de Energia Elétrica S.A. (Lumitrans) (subsidiary);

< Empresa Catarinense de Transmissão de Energia S.A. (ECTE) (jointly controlled): Holder of an electric power public service concession for transmission lines in the State of Santa Catarina;

< Axxiom Soluções Tecnológicas S.A. (Axxiom) (jointly controlled): Providing technological solutions and systems for operational management of public service concessions, including electric power, gas, water and waste companies and other utilities. Jointly controlled by Light S.A (51%) and Cemig (49%);

< Transchile Charrúa Transmisión S.A. (Transchile) (jointly controlled): Implementation, operation and maintenance of the Charrúa Nueva Temuco transmission line and two transmission line sections in the Charrúa and Nueva Temuco substations, in the central region of Chile. The head office of Transchile is in Santiago, Chile. The transmission line began operating in January 2010;

< Companhia de Transmissão Centroeste de Minas (Centroeste) (jointly controlled): Construction, operation and maintenance of the Furnas Pimenta transmission line. The transmission line began operating in April 2010;

< Parati S.A Participações em Ativos de Energia Elétrica (Parati) (jointly controlled): holding company that holds interests in other Brazilian or foreign companies that operate in any activity. Parati holds a 6.42% interest in Light;

< Cemig Serviços (subsidiary): It provides services related to planning, construction, operation and

maintenance of electric power generation, transmission and distribution systems, and provides administrative, commercial and engineering services in the different energy fields.

The joint control investments were made by CEMIG and its subsidiaries through shareholders agreements with the other shareholders of the investee companies.

(b) The electric power sector in Brazil:

The Brazilian electric power sector is regulated by the Federal Government through the Ministry of Mining and Energy (MME), which has exclusive authority over the sector. The regulatory policy for the sector is implemented by the Brazilian National Electric Power Agency (ANEEL).

Retail supply of electric power by the Company and its subsidiaries and jointly-controlled subsidiaries takes place in accordance with the clauses in the long-term electric power sales concession agreements.

Under the distribution concession agreements, the Company is authorized to charge its consumers a rate for supply of electric power that consists of two components: 1) a portion related to the generation, transmission and distribution costs that are non-manageable (Portion A Costs); and (2) a portion of operating costs (Portion B Costs). Both components are established as part of the original concession for given initial periods. Subsequent to the initial periods, and at regular intervals, ANNEL has the authority to review the Company s costs to determine inflation adjustments (or other similar adjustment factors), if any, applicable to the Portion B Costs (the Scaling Adjustment) for the subsequent period. This review may result in a positive, null or negative scaling adjustment.

In addition to the adjustments related to the Portion A and Portion B Costs mentioned above, the electric power supply concessions have an annual tariff adjustment based on various factors, including inflation. Following regulatory changes made in December 2001, the Company may now apply for tariff adjustments arising from significant events that disrupt the economic-financial balance of its business. Other normal or recurring events (such as increases in electricity purchased, taxes on revenue or even local inflation) may also be absorbed through specific tariff increases. When the Company requests a tariff adjustment, it is necessary to prove the financial impact on its operations resulting from these events.

In the generation business, the Company also sells energy through auctions for distribution through the captive market and it also sells energy to free consumers in the free contracting environment. In the free contracting environment, energy is traded through the generation concessionaires, small hydroelectric power plants, self generators, retailers and importers of energy.

Free consumers are those whose demand exceeds 3MW at 69kV or a higher voltage level or any voltage level, if supply started after July 1995.

Once the consumer has opted for the free market, he can only return to the regulated system if he informs the distributor of his area five years in advance. This period of notice ensures that, if necessary, the distributor may purchase additional energy to meet the re-entry of free consumers in the regulated market. The state generators can sell electricity to free consumers, but contrary to private generators they are required to do so through an auction process.

According to the transmission concession contracts, the Company is authorized to charge the rates for use of the transmission system (TUST). The rates are adjusted annually on the same date as the adjustments of permitted annual revenues (RAP) of the transmission concessionaries. The tariff period begins on July 1 of the year of publication of tariffs until June 30 of the following year.

In Brazil the transport of large amounts of electricity over long distances is done using a network of transmission lines and substations at voltages equal to or higher than 230 kV, known as the Basic Network.

Any agent of the electricity sector that produces or consumes electricity has the right to use this basic network, as well as consumers that meet certain technical and legal requirements. This is called Open Access, assured by law and guaranteed by ANEEL.

The operation and administration of the basic network is the responsibility of the National Electric System Operator (ONS), a legal entity of private law, regulated and supervised by ANEEL, and integrated by the holders of generation, transmission, distribution and trading rights and also by consumers with a direct connection to the basic network. ONS is responsible for managing the dispatch of electric power from the power plants under optimized conditions, involving the use of the dams of the hydroelectric power plants and the fuel of the national interconnected system.

The payment for the use of transmission also applies to the generation of Itaipu. However, due to the legal characteristics of this power plant, the corresponding charges are assumed by distribution concessionaires, holders of the respective shares of the hydroelectric power plant s power.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Brazilian Accounting Standards (BR GAAP), comprising the Brazilian Corporation Law, based on Law 11638 of 2007 and Law 11941 of 2009, the statements, orientations and interpretations issued by the Accounting Pronouncements Committee (CPC); and the rules of the Brazilian Securities Commission (CVM). These practices differ from International Financial Reporting Standards (IFRS) applicable to separate financial statements with respect to the fact that investments in subsidiaries and jointly-controlled subsidiaries are valued by the equity method under BRGAAP, whereas under IFRS this valuation would be at cost or fair value.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil.

However, there is no difference, for stockholders equity and consolidated profit, between the amounts presented in consolidated form and in the individual financial statements. Accordingly, the Group s consolidated financial statements and the parent company s individual financial statements are being presented side-by-side in a single set of financial statements.

On March 6, 2012, the Company s Executive Board authorized the issuing of the Financial Statements for the year ended December 31, 2011, and consequent submission to the Board of Directors.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial instruments and derivative financial instruments are measured at fair value;

- Non-derivative financial instrumentos at fair value through profit or loss are measured;

2.3. Functional and presentation currency

These consolidated financial statements are presented in Reais, which is the Company s functional currency. All financial information is presented in millions of Reais, except where otherwise indicated.

2.4. Use of estimates and judgment

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

The Company believes that the following accounting policies reflect management s most critical judgments, estimates and assumptions that are important to its business operations and the understanding of its results:

< Note 8 Allowance for doubtful accounts;

< Note 10 Deferred income tax and social contribution;

< Note 15 Depreciation;

< Note 16 Amortization;

< Note 21 Employee post-retirement benefits;

< Note 22 Provisions;

< Note 24 Unbilled electric power supplied;

< Note 29 Fair value measurements and derivative financial instruments.

2.5 Reclassifications of account balances, 2010

Original Accounts	2010 Consolidated	2010 Parent Company	Reclassification Accounts	2010 Consolidated (Reclassified)	2010 Parenting Company (Reclassified)
Financial Statement			**Financial Statement**		
CURRENT ASSETS			**CURRENT ASSETS**		
Other Credits	(29,959)	-	Traders - free energy transactions	29,959	-
	(29,959)	**-**		**29,959**	**-**
NON-CURRENT			**NON-CURRENT**		
Investments	(24,206)	-	Other credits	24,206	-
	(24,206)	**-**		**24,206**	**-**
INCOME STATEMENT			**INCOME STATEMENT**		
Revenue from supply of electricity	(132,772)	-	Other operating revenues	132,772	-
Construction Revenue	-	-	Construction Revenue	983,604	-
Revenue from use of the transmission grid	(357,782)		Construction Revenue	357,782	
	(490,554)	**-**		**1,474,158**	**-**
Construction Cost	-	-	Construction Cost	(983,604)	-
Other operating expenses, net	144,086	-	Construction Cost	(144,086)	-
Employees and managers profit shares	312,781	-	Other operating expenses, net	(312,781)	-
	312,781	**-**		**(1,440,471)**	**-**
Financial Revenues			**Financial Expenses**		
Gains on financial instruments	(7,682)	-	Losses on financial instruments	7,682	-
	(7,682)	**-**		**7,682**	**-**
Statement of Value Added			**Statement of Value Added**		
Sale of Energy, Gas and services	-	-	Sale of Energy, Gas and services	983,604	-
Construction Cost	-	-	Construction Cost	983,604	-
Other operationg expenses	(344,088)	-	Construction Cost	344,088	-
Financial Revenues	(7,682)	-	Interest	7,682	-
Statement of Cash Flows			**Statement of Cash Flows**		
Expenses (revenues) not affecting cash and cash equivalents			**Expenses (revenues) not affecting cash and cash equivalents**		
			Interest and monetary variation	(582,148)	-
(Increase) / decrease in assets			**(Increase) / decrease in assets**		
Recoverable taxes	32,720	-	Recoverable taxes	107,526	55
Recoverable Income tax and social contribution	-	-	Recoverable income tax and social contribution	(74,806)	-
Financial assets of the concession	-	-	Financial assets of the concession	501,418	-

(Increase) / decrease in liabilities			**(Increase) / decrease in liabilities**		
Recoverable taxes	1,516	-	Recoverable taxes	350,218	-
Income tax and social contribution payable	-	-	Income tax and social contribution payable	(348,702)	-
Losses on financial instruments	(9,034)	-	Other	(9,034)	-
CASH FLOWS FROM INVESTING ACTIVITIES			**CASH FLOWS FROM INVESTING ACTIVITIES**		
In financial assets of the concession	80,730	-			

The reclassifications presented above were made to provide more relevant information related to the following items:

< Investments: information not relevant individually, related to the cost of acquisition of interests in audiovisual projects in accordance with the tax incentive law in force;

< Construction Revenue and Cost: Presented at the net amount in the Consolidated Statements of Income and Value Added in 2010, which were separated to enable evaluation of their amounts and their impacts on revenue and operating expenses;

< Employee and manager profit sharing, presented as an item of operating costs in 2010 and which was reclassified to other operating expenses as it addresses distribution of results based on overall corporate goals, defined in the specific collective bargaining agreement;

< Financial Results: presents the results of financial instruments on a net basis, a gain or loss in the period;

< Financial Assets: reclassification for better presentation of revenue from financial assets from operating activities and investments;

The other items have been reclassified for better presentation of their effects on financial statements.

2.6. Significant accounting policies

The accounting policies described below have been applied consistently to all periods presented in these individual and consolidated financial statements.

The accounting policies have been applied consistently by the entities of the group.

a) Financial instruments

Non-derivative financial assets The Company initially recognizes loans and receivables and deposits on the date that they are originated. All the other financial assets (including assets designated at fair value through profit and loss) are recognized initially on the date of trading, which is the date that the Company becomes one of the parties to the contractual provisions of the instrument.

The Company derecognizes a non-derivative financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: Cash, bank deposits, Cash equivalents and Short-term investments measured at fair value through profit or loss, Consumers and traders, Concession holders transport of energy, Account receivable from the State of Minas Gerais Government and Financial assets of the concession, recognized at their nominal value and similar to their fair values.

Non-derivative financial liabilities The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date on which is the date the Company becomes a party to the contractual provisions of the instrument. The company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: loans and financing, debentures, suppliers and other obligations. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Share Capital Common shares are classified as shareholders equity. Preferred shares are classified as shareholders equity if they are not redeemable, or redeemable only at the Company s option. Owners of preferred shares do not have the right to vote but do have preference in the liquidation of the share capital. The rights to mandatory minimum dividends as established for the preferred shares are described in Note 23.

The mandatory minimum dividends as defined in the by-laws are recognized as a liability in the statement of financial position.

Financial instruments at fair value through profit or loss A financial asset is classified as a financial instrument at fair value through the profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company s documented risk management or investment strategy. Attributable transaction costs are recognized in the income statement when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes in the fair value are recognized in the income statement for the period.

The Company holds the following types of financial instruments at fair value through profit or loss: short-term investments and cash equivalents.

Loans and receivables Loans and receivables are financial assets with fixed or calculable payments that are not quoted on an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at the amortized cost using the effective interest method, less any impairment losses.

The Company holds the following types of loans and receivables: cash, consumers and traders, concession holders transport of energy, accounts receivable from the Government of the State of Minas Gerais, CRC account securitization fund (FIDC), financial assets of the concession and traders free energy transactions.

Cash and cash equivalents comprise cash balances, financial deposits and short-term investments with original maturity of three months or less from the date of its contract and are subject to an insignificant risk of change in value, classified as loans and receivables. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

The Company recognizes a financial asset resulting from a service concession agreement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrading of services provided. These financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortized cost and classified as loans and receivables.

Derivative financial instruments and hedging activities - The jointly controlled subsidiary Madeira holds financial hedge derivative instruments to hedge cash flow and regulate the main financial risk exposures, and the subsidiary Cemig Distribuição holds financial hedge derivative instruments to manage their exposures to risks of changes in foreign currency. Derivatives are initially recognized at fair value and attributable transaction costs are recognized in the income statement when incurred. After initial recognition, derivatives are measured at fair value and changes in fair value are recorded in the income statement, except in the circumstances described below for hedge accounting.

The method of accounting for gains and losses of derivatives is subject to the possible classification of the derivative instrument as a cash flow hedge. The effective portion of the changes in fair value of derivatives designated and described as cash flow hedge is recognized in other comprehensive income. The gain or loss related to the ineffective portion is recognized immediately in financial income. The amounts accumulated in equity are realized in the Income Statement in the periods when the hedged item affects the result. For derivatives that are not classified as cash flow hedge, changes in fair value are recognized as gains or losses in the financial results.

For the use of hedge accounting, Madeira applies its policy classifying the applicable derivatives as cash flow hedge, emphasizing that its management considers the instruments that offset between 80% and 125% of the change in price of the item for which the hedge was taken out as highly effective.

b) Foreign currency

Transactions in foreign currencies are translated into the Company s respective functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated into the functional currency at the exchange rate on that date. The exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments made during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate on the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction.

Gains and losses arising from changes in foreign currencies related to the jointly-controlled subsidiary Transchile are recognized directly in shareholders equity as an accumulated foreign currency translation adjustment, and are recognized in the income statement when these investments are sold, in whole or in part. The financial statements of subsidiaries outside Brazil are adjusted to Brazilian and international accounting practices and are subsequently translated into the Company s functional currency at the exchange rate on the reporting date.

c) Consumers and Traders

Accounts receivable from consumers, traders and concessionaires are recorded initially at fair value, whether already invoiced or not, and, subsequently, measured by amortized cost. The receivable balance includes the respective direct taxes that are the Company s tax responsibility, less any applicable tax credits that were withheld at the source.

The allowance for doubtful accounts is recorded at an amount estimated by management as sufficient to cover probable losses as follows: (i) for consumers with material debts, an individual analysis of the balance is made, taking into account the history of default, negotiations in progress and the existence of real guarantees; (ii) for other consumers, the debts that are more than 90 days past due for residential consumers, or more than 180 days past due for commercial consumers, or more than 360 days past due for the other consumer types, are provisioned at 100%. These criteria are the same as those established by ANEEL.

For large consumers an analysis of individual debtors and the actions underway to receive credits is made.

d) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the principle of average cost of acquisition and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. The materials purchased for inventory purposes are classified in current assets; the materials destined for construction of property, plant and equipment or intangible assets are classified in property, plant and equipment or intangible assets, and are not depreciated or amortized.

Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

e) Investments

In the individual financial statements of the parent company, the financial information of its subsidiaries and jointly-controlled subsidiaries is recognized by the equity method, initially at cost. The Company s investments include the goodwill identified on the acquisition, net of any accumulated losses through impairment.

f) Operating leases

Payments made under operating lease agreements are recognized as expenses in the income statement on a straight-line basis over the period of the leasing agreement.

g) Assets linked to the concession

Distribution activity

The portion of the assets of the concession that will be fully amortized during the concession period are recorded as intangible assets and are fully amortized during the concession agreement period.

Amortization is calculated on a straight-line basis over the useful lives of the distribution assets, using the distribution amortization rates established by ANEEL, and reflect the estimated useful life of the assets.

The Company assesses the residual value of the distributions assets, which represents the amount that will not be fully amortized by the end of the concession period. The residual value is reported in the consolidated financial statements as a financial asset because it represents an unconditional right to receive cash or another financial asset directly from the grantor at the end of the concession agreement period.

New distribution assets are recorded initially in intangible assets, stated at the cost of acquisition, including the capitalized borrowing costs. When these assets are placed in service, the Company assesses whether there will be any residual value at the end of the concession agreement period and then reclassifies the residual value amount to financial assets, in accordance with the criteria mentioned in the previous paragraphs.

When an asset is replaced, the net book value of the asset is written off as an expense to the income statement.

Transmission activity

For new transmission concessions, granted after the year 2000, the costs related to the construction of the infrastructure are expensed when incurred. The Company recognizes construction revenue by reference to the stage of completion of a contract, which includes the taxes applicable to the revenue and any profit margin.

Only the costs of the infrastructure that will be used during the concession are recorded in the income statement. The portion of the assets that will not be used during the concession is recorded as a financial asset, because there is an unconditional right to receive cash or other financial assets directly from the grantor at the end of the concession agreement period.

For new transmission concessions, granted after the year 2000, the transmission revenue to be received throughout the concession agreement period, adjusted at fair value, is recorded in financial assets, during the construction period of the transmission lines.

For old transmission concessions, granted before the year 2000, the Company has not adopted the IFRIC 12 retrospectively due to the volume and age of the assets. Instead, the net book values of these assets were used and classified as financial assets for purposes of the first-time adoption of IFRS.

As the Company earns transmission revenue through making its transmission network available to users, and there have been no historical issues with respect to the demand for transmission activity, the Company considers there is no significant risk of a shortage of demand for transmission activity. Accordingly, the transmission assets have been classified as financial assets in the consolidated financial statements.

Of the total amounts billed, the portion related to the operation and maintenance of the assets is recorded as revenue, and the portion related to the construction revenue, originally recorded at the time of formation of the assets, is used to recover the financial assets.

Additions for expansion and reinforcement generate additional cash flow from the grantor and, therefore, this new cash flow is incorporated into the balance of the financial asset.

Gas Activity

The portion of the assets of the concession that will be fully used during the concession period are recorded as intangible assets and are fully amortized during the concession agreement period.

The amortization for the gas related assets is calculated on a straight-line basis over the useful lives of the gas related assets, using the amortization rates based on the useful life estimates made by Management.

The Company has measured the value of the assets which will not be fully amortized by the end of the concession agreement period and reports this amount as a financial asset because it is an unconditional right to receive cash or other financial asset directly from the grantor.

New gas related assets are recorded initially in intangible assets, valued at the cost of acquisition, including capitalized borrowing costs. When these assets are placed in service, the Company assesses whether there will be any residual value at the end of the concession agreement period and then reclassifies the residual value to financial assets, in accordance with the criteria described in the previous paragraphs.

When an asset is replaced, the net book value of the assets is written off as an expense to the income statement.

Wind Power Generation Activity

The costs related to construction of the infrastructure are recorded in the income statement when calculating and recording construction revenue based on the stage of completion of the work performed, including taxes on income and any profit margin.

The balances of assets, used during the concession period, are recognized as Intangible Assets.

h) Intangible assets

Intangible assets are assets related to service concession agreements and software.

The Company recognizes intangible assets either through acquisition from third parties or internally generated. For an intangible asset acquired from third parties, the Company values the asset in the financial statements at its total cost of acquisition, net of accumulated amortization. For an internally-generated intangible asset, the Company recognizes the intangible asset during its development phase only if use of the asset is technically feasible and if the asset is likely to produce future economic benefits. The Company values its internally-generated intangible assets at cost, net of accumulated amortization and accumulated impairment losses.

For intangible assets linked to the concession, the accounting practices as described in the item assets linked to the concession above are applied.

i) Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or formation cost, including deemed cost and borrowing costs, less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of assets built by the Company includes the cost of materials and direct labor, and any other costs directly attributable to bringing the assets to their present location and in working conditions for their intended use.

The subsequent costs are capitalized to the extent that is probable that future benefits associated with the expenses will flow to the Company.

The carrying amount of the replaced asset is written-off, and the repairs and maintenaince costs are fully recorded in the the income statement.

Depreciation and amortization are calculated on the balance of property, plant and equipment in service and on the underlying asset balances of investments in consortia, on a straight-line basis, using the rates determined by ANEEL for the assets related to electricity activities, and reflect the estimated useful life of the assets.

The principal depreciation rates applied to the Company s property, plant and equipment assets are shown in Note 15.

Interest and other financing charges incurred on financings linked to the construction in progress during the construction period are capitalized as constructions in progress and consortias.

For borrowings raised for construction purposes of a specific asset of plant, property and equipment, the Company capitalizes all the financial costs related to the borrowings directly to the respective asset constructed. For other borrowings raised that are not linked directly to a specific asset of property, plant and equipment, a weighted average rate is used to capitalize and allocate the borrowing costs of these loans.

j) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter into bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

When assessing collective impairment, the Company uses past trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted to reflect management s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial Assets

The carrying amounts of the Company s non-financial assets, other than inventories and deferred income tax and social contribution, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. The carrying amount of property, plant and equipment and intangible assets is tested if there is evidence that an asset may be impaired.

k) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (pension fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the income statement in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services rendered in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on well rated bonds that have maturity dates approximating the terms of the Company s obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the asset to be recognized is limited to the total of any unrecognized past service costs and net actuarial losses and the present value of the economic benefits available in the form of future reimbursements available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan s liabilities.

When the benefits of a plan are improved, the portion of the increased benefit related to the past service of the employees is recognized in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

The Company recognizes all actuarial gains and losses in excess of 10% of the plan assets or 10% of the plan s liabilities in the income statement over approximately 11 years (the average time of future service of the present active participants), since 2009.

For the Company s defined benefit pension plan obligations, the liability recorded in the statement of financial position is the greater of: a) the debt agreed-upon with the foundation for amortization of the actuarial obligations, and b) the present value of the actuarial obligation after deduction of the fair value of plan assets, as calculated by a qualified actuary and provided in the actuarial opinion. In the years presented, the debt agreed-upon with the foundation is greater than the amounts of the actuarial report. In this case, the annual amount recorded in the income statement corresponds to the charges and monetary variation on that debt, which is recognized as a financial expense of the Company.

Other long-term employee benefits

The Company s net obligation in respect of long-term employee benefits other than pension plans is the amount of the future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on well rated bonds that have maturity dates approximating the terms of the Company s obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. Any actuarial gains and losses are recognized in the income statement in the period in which they arise.

The procedures mentioned above are used for the actuarial obligations related to the Company s employee health plan, life insurance plan, and dental plan.

Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be reliably estimated reliably.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably. Employee profit sharing specified in the Company s by-laws is accrued in accordance with the requirements established in the collective agreements with the employee unions and recorded in employee and manager profit sharing.

l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or formal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Concessions Contracts A provision for onerous concessions is recognized when the expected benefits to be derived from the contract are lower than the unavoidable cost of meeting the obligations of the concession. The provision is measured at present value at the lower of the expected cost of terminating the concession contract and the expected net cost of continuing with it.

m) Interest on capital

The interest on capital paid in substitution of cash dividends, although recorded for tax purposes as a financial expense, is presented in the consolidated financial statements as an amount reducing shareholders equity, so as to reflect the essence of the transaction.

n) Income tax and social contribution

Current and deferred income tax and the social contribution are calculated based on the rates of 15%, plus a surcharge of 10% on taxable income exceeding R$240, for income tax, and 9% on taxable income for the social contribution, and take into account offsetting of tax loss carry forwards and negative balances for calculation of social contribution, limited to 30% of the taxable income.

The income tax and social contribution expense comprises current and deferred taxes. The current tax and the deferred tax are recognized in the income statement unless they are related to a business combination, or items directly recognized in shareholders equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they are related to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o) Revenue

In general, for the Company s business in electric power, gas, telecommunications and other sectors, revenues are recognized when there is persuasive exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer on services rendered and goods sold. It is associated costs and possible return fom sales can be estimated reliably, and the amount of revenue can be measured reliably.

Revenue from electric power sales are recorded based on the energy delivered and the tariffs specified in the contractual terms or in effect in the market. Revenues for energy supplied of electric power to end consumers are recorded when the energy is supplied to customers. The invoicing is performed on a monthly basis. Unbilled energy supplied, from the period between the last billing and the end of each month, is estimated based on the billing from the previous month and is accrued at the end of the month. The differences between the amounts accrued and the actual revenues realized, which have not historically been significant, are recorded in the following month.

Revenue from the supply of electric power to the Brazilian grid system is recorded when the supply has taken place and is invoiced to consumers on a monthly basis, in accordance with the payment schedules specified in the concession agreement.

Revenue from other operators and from free consumers that use its transmission (older concessions) and distribution grids is recorded in the month in which the network services are provided.

For newer transmission concessions, the portion of the invoicing related to operation and maintenance of the transmission lines is recorded on a monthly basis as revenues in the income statement. The revenue related to construction services under the contract for service concessions is recognized on a percentage of completion basis.

For the older transmission concessions, the fair value of the operation and maintenance of the transmission lines and the remuneration of the financial asset are recorded as revenue in the income statement each month.

The services provided include charges for connection and other related services and revenues are recorded when the services are provided.

p) Financial income and financial costs

Financial income includes interest income on funds invested, fee income for consumer payments made late, interest income on financial assets of the concession, interest income on other financial assets. Interest income is recognized in the income statement using the effective interest method.

Financial costs include interest expense on borrowings and foreign exchange and monetary variation on borrowings. Interest expense on the Company s borrowings is recognized using the effective interest method.

q) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to the controlling shareholders and minority interest of the Company by the weighted average number of common and preferred shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the controlling shareholders and minority interest and the weighted average number of common and preferred shares outstanding, adjusted for own shares held, for the effects of all dilutive potential shares, with the diluted effect in the periods presented.

r) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses related to transactions with any of the Company s other components. All operating results of operating segments are reviewed regularly by the Company s CEO to make decisions on resources to be allocated to the segment and to assess its performance, and for which individual financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax and social contribution assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

s) Statements of added value

The Company has prepared individual and consolidated statements of added value in accordance with Technical Pronouncement CPC 09 *Statement of Added Value*, which are presented as an integral part of the financial statements in accordance with BRGAAP applicable to listed companies, whereas under IFRS they are additional financial information

t) New accounting pronouncements not yet adopted

As a result of the process of standardization of Brazilian accounting rules with international standards, there are expectations that the new standards, amendments and interpretations of IFRS to be issued by the IASB will also be approved by the CPC in Brazil before the required date for them to come into effect.

Accordingly, we present below, in the Company s interpretation, the changes in IFRS expected to take place after December 31, 2011 and not yet adopted in Brazil which might impact Cemig s Accounting Statements, and the possible effects of which are still being evaluated by the Management:

< IAS 1 - Presentation of Financial Statements Presentation of Items of Other Comprehensive Income. This international accounting standard is effective for fiscal years beginning on or after January 1, 2012.

< IAS 19 - Employee Benefits The objective of IAS 19 is to prescribe the accounting and disclosure of employee benefits (i.e. all forms of consideration given by an entity in exchange for service rendered by employees). This international accounting standard is effective for fiscal years beginning on or after January 1, 2013, with earlier application permitted.

< IAS 27 - Consolidated and Separate Financial Statements (revised in 2011) Superseded by IFRS 10 and IFRS 12, the main objective of IAS 27 is the accounting for investments in subsidiaries, jointly controlled entities, and affiliated companies when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. This international accounting standard is effective for fiscal years beginning on or after January 1, 2013.

< IAS 28 - Investments in Affiliated companies and joint ventures (revised in 2011) Superseded by IFRS 11 and IFRS 12, IAS 28 applies to all investments in which an investor has significant influence but not control or joint control except for investments held by a venture capital organization, mutual fund and unit trust. This international accounting standard is effective for fiscal years beginning on or after January 1, 2013.

< IAS 32 The purpose of the changes is to clearly explain the compensation requirements of financial instruments, where the main explanations are related to the meaning of a legally executable right to be settled by the net amount and where some settlement systems at the gross amount may be considered equivalent to settlement at the net amount. This amendment comes into force on or as from January 1, 2014.

< IFRS 7 Financial Instruments: Effective starting on July 1, 2011. This standard requires certain disclosures to be presented by category of instrument based on the IAS 39 measurement categories. The designation is made at the time of initial recognition. The classification depends on both the entity s business model and the cash flow characteristics of the financial instrument. Regarding financial liabilities, the standard does not change most of the established demands in IAS 39.

< IFRS 9 - Financial Instruments Effective starting on January 1, 2013 This standard simplifies the model for measurement of financial assets and establishes two main categories of measurement: amortized cost and fair value. Any changes in the fair value of liabilities valued at fair value would not have an effect on the statement of other comprehensive income, because they would be recognized in the statement of other accumulated comprehensive income.

< IFRS 10 - Consolidated Financial Statements - Effective starting on January 1, 2013. This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It also defines the principle of control, and establishes control as the basis for consolidation. It establishes how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.

< IFRS 11 - Joint arrangements Effective starting on January 1, 2013, but earlier adoption is encouraged. The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint agreement. There are two types of joint arrangements: (i) joint operations, a situation in which an operator has assets and contractual obligations and, as a consequence, it recognizes its share in the assets and liabilities, revenues and expenses and (ii) joint control, a situation in which an operator has the right over the contractual net assets and as a consequence it recognizes the investment using the equity method. The main change is that if the type of joint arrangement is not a joint venture, the entities must use the equity method extinguishing the proportional consolidation which will impact consolidation for all jointly controlled entities in the Group.

< IFRS 12 Disclosure of interests in other entities Effective starting on January 1, 2013. This standard establishes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, affiliated companies and unconsolidated structured entities and the effects on its financial position, financial performance

and cash flows.

< IFRS 13 Fair Value Measurement - Effective starting on January 1, 2013. This standard defines fair value, set out in a single IFRS framework for measuring fair value and requires disclosures of fair value measurements. The main change is the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard requires using significant unobservable inputs for fair value measurements. To meet the disclosure objective, the following minimum disclosures are required for each class of assets and liabilities measured at fair value (including measurements based on fair value within the scope of this IFRS) in the statement of financial position after initial recognition. (Note that these requirements have been summarized and additional disclosure is required where necessary).

u) Determination of adjustment to present value

The Company applied the adjustment to present value on certain onerous concession contracts and also on the balance of the debentures issued by the Company. The discount rates used were consistent with the cost of raising funds in transactions with the same term on the date of the transactions, which represents, in the Company s estimation, a percentage of 12.50%, including inflation expectations.

3. PRINCIPLES OF CONSOLIDATION

The financial statements of the subsidiaries and jointly-controlled subsidiaries described in Note 1 have been consolidated for purposes of the consolidated financial statements.

(a) Subsidiaries and jointly-controlled subsidiaries

The financial statements of subsidiaries and jointly-controlled subsidiaries are included in the consolidated financial statements from the date on which the control, or shared control, begins until the date on which the control or shared control ceases. The assets, liabilities and results of the jointly-controlled subsidiaries have been consolidated into the consolidated financial statements using proportional consolidation. The accounting policies of subsidiaries and jointly-controlled subsidiaries are aligned with the policies adopted by the Company.

In the individual financial statements of the parent company the financial information of subsidiaries and jointly controlled companies, as well as affiliates, are recognized through the equity method.

The joint control of the Company is established through a shareholders agreement signed previously, whose strategic, financial and operating decisions are taken with unanimous consent between the parties.

In some jointly controlled companies, Cemig has more than 50% of the voting rights, however, there are shareholders´ agreements that give the minority shareholders relevant rights that represent the sharing of control.

(b) Consortia

The quota-part of the assets, liabilities and revenues and expenses of consortium operations is registered in the subsidiary that owns the corresponding equity interest.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealized gains arising from transactions with invested companies recorded under the equity method are eliminated against the investment in proportion to the Company s interest. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of a loss through impairment.

The references made in these financial statements of subsidiaries and jointly controlled companies are performed in proportion to the Company s interest.

Transchile s financial statements, for consolidation purposes, are translated from U.S. dollars (Transchile s functional currency) to Reais based on the exchange rate at the reporting date, since Cemig s functional currency is the Real. Foreign currency differences are recognized in other comprehensive income and are presented in shareholders equity. Since January 1, 2009, CEMIG s date of transition to IFRS, the Company has applied CPC 02 The Effects of Changes in Foreign Exchange Rates and these differences have been recognized in the accumulated foreign currency translation adjustment.

The reporting dates of the remaining subsidiaries and jointly-controlled subsidiaries used for consolidation purposes coincide with those of the holding company.

The consolidated financial statements include the balances and transactions of the exclusive investment funds, the only unit holders of which are the Company and its subsidiaries. The funds comprise public and private debt securities and debentures of companies with a minimum Brazilian long-term risk rating of A+(bra), thus ensuring high liquidity of the securities.

The exclusive fund, the financial statements of which are regularly reviewed and audited, is subject to obligations restricted to payment for services rendered for administration of the assets, attributed to the operation of investments, such as custody fees, audit fees and other expenses. There are no significant financial obligations or assets of the unit holders to guarantee these obligations.

As shown in the table below, the Company uses full and proportional consolidation criteria when preparing its consolidated financial statements. The interest in the Company s subsidiaries and jointly-controlled subsidiaries presented in the table below based on the subsidiary s share capital held by Cemig.

Subsidiaries and jointly controlled companies	Form of consolidation	2011 Direct stake (%)	2011 Indirect stake (%)	2010 Direct stake (%)	2010 Indirect stake (%)
Subsidiaries and jointly controlled companies					
Cemig Geração e Transmissão	Full	100	-	100	-
Cemig Baguari Energia	Full	-	100	-	100
Hidrelétrica Cachoeirão	Proportional	-	49	-	49
Guanhães Energia	Proportional	-	49	-	49
Madeira Energia	Proportional	-	10	-	10
Hidrelétrica Pipoca	Proportional	-	49	-	49
Baguari Energia	Proportional	-	69.39	-	69.39
Empresa Brasileira de Transmissão de Energia EBTE	Proportional	-	49	-	49
Central Eólica Praias de Parajuru	Proportional		49		49
Central Eólica Volta do Rio	Proportional	-	49	-	49
Central Eólica Praias de Morgado	Proportional				