ENERGY CO OF MINAS GERAIS
Form 6-K
May 21, 2013
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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 May 2013

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 o

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): o

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): o

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 o 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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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/ Luiz Fernando Rolla	
	Name:	Luiz Fernando Rolla
	Title:	Chief Officer for Finance and Investor Relations

Date: May 21, 2013

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1. CEMIG s 2012 Results

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REPORT OF MANAGEMENT FOR 2012

Dear Stockholders,

Companhia Energética de Minas Gerais **Cemig** (Cemig or the Company) 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, 2012.

MESSAGE FROM MANAGEMENT

This has been a year of great changes, complexity and challenges.

Once again, we would like to express our confidence in the Executive Board s ability to deliver on the commitments which it has made to the shareholders of the company to generate value and growth.

This year, we received clear evidence of the correctness of our decisions, which were reflected not only in the results for the financial year but also in various statements by shareholders and investors when we raised funds, with their full support, and in statements at events in which we took part.

We are confident that our strategic vision of how we should manage the various projects which we are pursuing, based on the principles of sustainability and social responsibility, will deliver an adequate and attractive return on investment to our shareholders.

Our strategy of seeking operational efficiency and the discipline of investing in assets which add value has certainly made a significant contribution to growth, by virtue of the expansion of the various companies in the share capital and management of which we hold significant stakes.

Through its subsidiaries and associated companies, Cemig currently serves over 11 million consumers, with a focus on improving the quality of the services which it provides, having invested R$ 2.5 billion in the distribution sector alone, representing one of the largest investments in distribution in Brazil a clear demonstration of its commitment to the community in which it operates.

The number of consumers that Cemig has recently connected to electricity supply for the first time over 200,000 has exceeded expectations; and the quality of service we provide has once again been recognized in a survey carried out by the regulator, Aneel (*Agência Nacional de Energia Elétrica*), which placed Cemig D among the best companies with over 400,000 consumers in Brazil s Southeast region.

Our net profit for 2012 of R$ 4.3 billion, or R$ 5.37 per share, is significant on account of its size, translating into a price-earnings ratio of 4x. The 2012 net profit is nearly 80% higher than our net profit for 2011.

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The greatest impact came from the advance settlement of the agreement for the assignment of credits from the Earnings Compensation (CRC) Account. Our majority shareholder, the State Government of Minas Gerais, decided to make early payment for this agreement, generating a financial gain of more than R$ 2 billion.

The offer of shares in Taesa was a highlight of the year. It received enormous response from investors, generating a significant gain for Taesa that was reflected positively in our results, with a gain of R$ 259 million for Cemig GT. This successful offer, executed under market conditions considered to be unfavorable, was a clear demonstration of investor confidence in our strategies. Taesa has become Cemig s preferred vehicle for investment in electricity transmission.

Once again, the Brazilian capital markets demonstrated their capacity to provide significant volumes of funding for our activities, amounting to over R$ 7 billion raised by the various companies of the Cemig Group.

Another important development in the year was the Brazilian government s issuance, on September 11, 2012, of Provisional Measure 579, dealing with renewal of those concessions which had expiry dates, under existing contracts, in the years 2015 through 2017.

The federal government proposed bringing forward the expiry of these concessions to January 2013, and imposed a timetable for decisions on adhesion to this proposal, expiring on December 4, 2012. Most of the companies involved regarded the deadline as very short. The new legislation also altered the nature of the regime of concession agreements: under the new system concession holders acquired the condition of providers of maintenance and operating services, in contrast to the current agreements, which, in addition to those services, include the sale of the products of the assets. By way of compensation, the federal government would reimburse concession holders whose assets had not yet been depreciated, at replacement value. The objective of the proposal was to transfer the products of the assets to the operators of distribution concessions at operating and maintenance cost, aiming to achieve a significant reduction in the final tariff to consumers, with the additional benefit of controlling inflation.

Convinced of the benefits to its consumers, Cemig decided to accept the new concession agreements for public electricity transmission and distribution service, believing that by so doing, it would also protect the interests of its shareholders. The reimbursement for the residual value of the transmission assets, despite the fact that not all of the criteria for its calculation had been defined, reached a minimum level that we considered fair for the investments already made.

In relation to generation assets, on the other hand, we took the view that for those concessions that are subject to a second renewal, the proposal for providing services of operating and maintenance did not offer the minimum conditions for the providing a quality service, corresponding to the responsibility of providing it. For the

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concessions that are still yet subject to a first renewal, we understand that our agreement guarantees a renewal for an additional twenty years, and hence, on the basis of the benefit provided to shareholders and customers, we should not adhere to the new proposals.

Thus, for the former group of generating plants, we decided not to accept the proposals; and for the latter, we decided to proceed in accordance with the terms of the contract, requesting renewal in accordance with the expiry dates of each one. We expect that our rights will be respected and that we will be able to continue to provide a quality service to our customers.

We are facing challenges over the next year, but are confident that our strategic vision will lead to the most beneficial actions for our shareholders and customers.

We would like to thank our employees for their strong support for our initiatives to improve operations and introduce new technologies. Our staff is among the most active in the electricity sector and is responsible for the excellent reputation which we enjoy for efficiency and technical skill.

We would re-emphasize that we have only succeeded in achieving these results because of the support of all of our shareholders, and in particular our majority shareholder, represented by the Governor Antonio Anastasia of Minas Gerais State, whom we would like to thank for his unquestioning confidence, demonstrated throughout the year.

BRIEF HISTORY OF THE COMPANY

Cemig is a company 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 2012 was approximately R$ 19 billion.

Cemig s shares have been in the Dow Jones Sustainability World Index for 13 years. In 2012 it was the only company in the sector in Latin America chosen for the *DJSI World,* reflecting its sustainable management practices, and it continues to be the only company in the electricity sector in Latin America that has been a part of this select group of companies since the DJSI was created in 1999.

In January 2013, Cemig was elected the world s 43rd most sustainable company, in the ninth *Annual Global 100* ranking, published by the Canadian magazine *Corporate Knights*. In the utilities sector electricity, gas and water services Cemig was considered to be the world s **fourth most sustainable company**.

The Cemig Group comprises 116 companies, and 16 consortia. It is controlled by a holding company, with assets and businesses in 23 of Brazil s states, the Brazilian federal district, and Chile. Cemig also operates in data transmission, through **Cemig Telecom**, and in the provision of energy solutions, through **Efficientia**.

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Our mission, vision, and values

Cemig s Mission:

To operate in the energy sector with

profitability, quality and social responsibility.

Cemig s Vision:

To consolidate Cemig s position, over the course of this decade, as

the largest group in the Brazilian electricity sector by market value,

with a presence in the natural gas market, and as a global leader in sustainability,

admired by its clients and recognized for its solidity and performance .

Cemig s Values:

Integrity, ethics, wealth, social responsibility,

enthusiasm for the work, and entrepreneurial spirit .

Geographical coverage

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.

Cemig: Brazil s largest integrated electricity company

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The CEMIG brand

In 2011, the valuation attributed to the Cemig brand increased by 9.6%. The increase was in particular due to the company s improved financial performance.

Cemig s Brand and Image Committee

The results of surveys assessing the company s brand and reputation underline the need, perceived in previous surveys, for Cemig to continue working on essential questions related to these two aspects.

Cemig has a Brand and Reputation Committee, which analyses actions to be put in place for improvement of the company s performance in relation to these intangible assets. Among the products created by the committee in 2012 is the *Cemig Brand and Reputation Platform*, a system aiming to ensure a coherent and consistent positioning whenever the company presents itself to its internal or external publics. The underlying document of the *Cemig Brand and Reputation Platform* is a strategic benchmark for the whole of Cemig.

Another document created by the committee gives the Cemig Group s guidelines for management of the brand, image and reputation. It highlights the risks and opportunities, the committee s recommendations, and the issues relating to the Company s points of contact with its publics. The objective is that internal initiatives should work in favor of aligning the various companies in the Group, helping to strengthen its brand and reputation, optimize a positive view of the company by the public, and ensure a strong degree of public confidence in the Company at moments of crisis these factors form the basis for the recommended suggestions.

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OUR BUSINESSES

Profit generated by the activity in 2012

R$ million

The financial revenue and profit resulting from the early settlement of the CRC contract is recognized in the *Others* component. For further information see note 12 to the consolidated financial statements.

Hydroelectric 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 7,032 MW, this group of plants makes Cemig Brazil s third largest electricity generation group.

Plant	Generating capacity (MW)	Actual output (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	330	172
Others	752	482
Generation by Light	282	210
Wind power	104	42
Thermal plants	184	123
Total	**7,032**	**4,295**

In line with Cemig s growth strategy, its total installed generation capacity has grown constantly over the last five years.

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The company has generation projects in progress, among which we highlight:

Plant	Installed capacity (MW)	Cemig stake, %	Full operational start date
Santo Antônio	3,150	10.0%	2016
Belo Monte	11,233	7.28%	2018

Wind generation

Cemig was a pioneer in Brazilian wind power: its first wind plant, the *Morro do Camelinho* plant, was connected to the national grid in 1992. Brazil has theoretical total wind power generation potential of 143.5 GW. This is more than the country s current total installed generation capacity, of 107 GW.

In 2011 Cemig became a member of the stockholding group controlling **Renova Energia**, through its interest in **Light**. Renova is the owner of the largest wind power complex in Latin America, located in the central region of the state of Bahia.

In 2012 Renova received a strategic stockholder into its stockholding base, BNDESPar the investment arm of the Brazilian Development Bank (BNDES) which invested R$ 260.7 million, and now holds 12.1% of the share capital. With the entry of BNDES as a stockholder, Renova has even further strengthened its position in the renewable electricity generation sector, with alliance to one of Brazil s principal financial institutions, and the benefit of all that institution s expertise in infrastructure projects and its dedication to the development of renewable energy sources.

Cemig also has a 49% interest in three major wind farms that are already in operation, with total generation capacity of approximately 100 MW.

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Transmission

Through its subsidiary and affiliate companies operating in electricity transmission, Cemig operates a transmission network which had a total length of 9,413km in 2012 (8,794km in 2011). It is Brazil s third largest transmission group, present in 13 states of Brazil, and in Chile.

The chart below shows the growth of Cemig s transmission lines over the past five years.

Distribution

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) and **Light**, serving more than 10 million consumers.

Cemig D

Cemig Distribuição (Cemig D) is the largest distribution company in Latin America, with 510,744km of distribution networks (108,400km in urban areas and 384,750km of rural networks), and also 17,594km of high- and medium-voltage sub-transmission lines. It serves 7.5 million consumers.

Cemig D has one of the highest indices of service to consumers benefited by the Brazilian Social Tariff. Of the total of residential consumers invoiced in 2012, 12.0% were classified as low-income, a total of approximately 898,000 consumers.

The chart below shows the growth of Cemig D s sub-transmission and distribution lines over the past five years.

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Light

The corporate objects of the jointly-controlled subsidiary **Light** are: directly or indirectly, to operate electricity services, including generation, transmission, trading or distribution, and other related services; and to hold direct or indirect interests in other companies. Light serves more than 4 million consumers in 31 municipalities of the State of Rio de Janeiro.

Electricity sales and trading

The companies of the Cemig Group are the leaders in serving Brazil s electricity Free Market. It has expanded its area of operation to other states of Brazil, and is consolidating its position with the addition of new clients in the states in which it already operates, led by Minas Gerais, São Paulo and Bahia.

In serving large free clients as final consumers, Cemig has a leadership position arising from a volume of sales equivalent to twice the volume sold by its closest competitor.

In service to special clients , Cemig s position has expanded each year, with major growth over the period from 2008 to 2012.

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The special client sector in Brazil s electricity trading chamber (CCCE)

and in Cemig (average MW)

FINANCIAL RESULTS OF OUR BUSINESSES

Performance in 2012

Cemig reports an increase in profit, led by growth in revenue.

Net profit, R$ billion

Revenue, R$ billion

Net profit

Cemig reported net profit of R$ 4.272 billion in 2012, 76.89% more than its 2011 net profit of R$ 2.415 billion.

Operational revenue

This is the breakdown of operational revenues:

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R$ mn	**2012**	**2011**	**Change, %**
Revenue from supply of electricity	18,614	16,568	12.35
Revenue from use of the electricity distribution systems (TUSD)	2,215	1,978	11.98
Transmission revenue			
Transmission concession revenue	1,675	1,407	19.05
Transmission construction revenue	160	120	33.33
Transmission indemnity revenue	192		
Distribution construction revenue	1,446	1,413	2.34
Gas construction revenue	25	7	257.14
Transactions in electricity on the CCEE	427	269	58.74
Other operational revenues	1,324	984	34.55
Sector / regulatory charges: deducted from operational revenue	(7,618)	(6,997)	8.88
Net operational revenue	**18,460**	**15,749**	**17.21**

Revenue from supply of electricity

Revenue from total supply of electricity in 2012 was R$ 18.614 billion, compared to R$ 16.568 billion in 2011 an increase of 12.35%.

Final consumers

Revenue from sales of electricity to final consumers (excluding Cemig s own consumption) was R$ 16.671 billion in 2012, 11.47% more than in 2011 (R$ 14.955 billion). The main factors in this result are:

- Volume of energy invoiced to final consumers (excluding Cemig s own consumption) 4.49% higher.
- Increase in consumer tariffs for Cemig D, with average impact for captive consumers of 7.24%, from April 8, 2011 (full effect in 2012).
- Tariff increase for Light, with average effect on consumer tariffs of 7.8%, from November 7, 2011 (full effect in 2012).
- Tariff increase for Cemig D with average effect on consumer tariffs of 3.85%, effective April 8, 2012.
- Price adjustments in contracts for sale of electricity to free consumers, most of which are indexed to the IGP M inflation index.

Evolution of the market

- The figures for Cemig s market can be summarized as:
- Sales of electricity to both captive and free consumers,
- in the concession area of Minas Gerais, and outside that state;
- sales of electricity to other agents of the sector in the Free and Regulated Markets;
- sales under the Proinfa Program to Encourage Alternative Electricity Sources; and
- sales on the CCEE (the wholesale market);
- with elimination of transactions between companies of the Cemig group.

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The table below shows Cemig s market in detail, comparing the transactions in 2012 with those of 2011.

	MWh (*)	
	2012	**2011**
Residential	11,518,441	10,742,297
Industrial	25,969,189	26,028,775
Commercial, Services and Others	7,949,909	6,984,941
Rural	2,874,259	2,646,475
Public authorities	1,343,999	1,191,280
Public illumination	1,463,813	1,371,091
Public service	1,549,311	1,439,200
Subtotal	**52,668,921**	**50,404,059**
Own consumption	62,133	57,098
	52,731,054	**50,461,157**
Wholesale supply to other concession holders (**)	13,867,837	14,457,890
Sales under the Proinfa program	126,900	120,827
Total	**66,725,791**	**65,039,874**

(*) The MWh column includes a percentage of the total electricity sold by Light equivalent to Cemig s stockholding. (Data not reviewed by external auditors.)

(**) Includes Contracts for Sale of Electricity in the Regulated Market (CCEARs), and bilateral contracts with other agents.

The total of electricity sold by Cemig in 2012 was 2.59% greater than in 2011.

The volume of electricity sold to final consumers was 4.49% higher, due to the expansion of the internal and external market, in spite of the relative slowdown in growth of Brazilian economic activity in 2012.

The following are descriptions of the performance of the main electricity consumer categories:

Residential: Residential consumption was 7.23% higher than in 2011. The growth in consumption by this consumer group mainly reflects connection of new consumers, and increased private consumption of goods and services.

Industrial: Consumption by captive and free clients was 0.23% lower in 2012, basically reflecting reduction in the level of economic activity in the year, the sectors most affected being steel, chemicals and ferro-alloys.

Commercial: Electricity transacted with captive and free clients in the concession area in Minas Gerais and outside the state was 13.81% higher, associated with the strong level of domestic demand, with high growth in retailing, communications services and food.

Rural: Rural consumption grew by 8.61%. This is related to first-time connection of rural properties, and the increase in demand for electricity for irrigation, related to the atypical climatic conditions in 2012.

Other user categories: The total of consumption by the other consumption categories public authorities, public illumination, public services, and Cemig s own consumption was 8.87% higher in 2012.

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Revenue from wholesale electricity sales

The volume of electricity sold to other agents of the electricity sector was 4.08% lower in 2012. The reduction in sales to other agents arises from the Company s commercial strategy, which gave priority to serving final users (Free Consumers and consumers of incentive-bearing electricity supply) and participation in the wholesale markets subject to the existence of the group s own available energy, addition of value and minimization of risks.

Although the volume of electricity sold to other concession holders was 4.08% lower, revenue from these sales was 20.67% higher, at R$ 1.903 billion in 2012 (vs. R$ 1.577 billion in 2011) due to the average sale price being 25.80% higher at R$ 137.23/MWh in 2012, compared to R$ 109.08/MWh in 2011.

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 11.98% higher, at R$ 2.215 billion, in 2012, than in 2011 (R$ 1.978 billion). This revenue comes from charges made to Free Consumers on energy sold by other agents of the electricity sector, and its increase arises 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.

Transmission Concession Revenue and Indemnity Revenue

Revenue from the Transmission Concession in 2012 was R$ 1.675 billion, vs. R$ 1.407 billion in 2011, an increase of 19.05%. This variation mainly reflects the increase in the Company s transmission assets arising from the new acquisitions made in the second half of 2011 principally of Abengoa, acquired through Cemig s jointly-controlled subsidiary Taesa. The transmission revenue added by Taesa, in proportion to Cemig s stake, was R$ 696 million in 2012, compared to R$ 564 million in 2011.

In 2012 the Company posted an estimated gain reflecting the indemillionity of the transmission assets which were included in the criteria of Provisional Measure 579, in the amount of R$ 192 million. For more details, please see Explanatory Note 4.

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Other operational revenues

The Company s other operational revenues are:

	Consolidated	
	2012	2011
	R$ million	R$ million
Supply of gas	755	579
Charged service	18	14
Telecoms service	162	158
Services rendered	117	98
Subsidies (*)	176	56
Rental and leasing	86	77
Others	10	2
	1,324	**984**

Sector / regulatory charges: deducted from operational revenue

The sector charges that result in deductions from operational revenue in 2012 totaled R$ 7.618 billion, compared to R$ 6.997 billion in 2011, an increase of 8.88%. 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 2012 were R$ 565 million, 21.31% less than their total of R$ 718 million in 2011. 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 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 charges the CCC amount to Free Consumers on their invoices and passes it on to Eletrobrás. The variation in this cost is primarily due to reduction in the unit cost of the CCC, which is defined by an Aneel Resolution.

CDE Energy Development Account

Expenses on the CDE in 2012 were R$ 616 million, 19.38% more than their total of R$ 516 million in 2011. 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.

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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$ 14.639 billion in 2012, 27.91% more than in 2011 (R$ 11.445 billion). See the principal expenses and costs 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 2012 was R$ 5.951 billion, 39.11% higher than the figure of R$ 4.278 billion for 2011. This primarily reflects:

- Financial exposure to the spot market 164.09% higher in 2012, at R$ 890million, than in 2011 (R$ 337million), due to the increase in the average spot price (PLD) between the two periods, in the principal exposure sub-markets, the Southeast and Center-West: this average price was R$ 29.42/MWh in 2011 while for 2012 it had increased to R$ 166.69/MWh.

- Purchases of electricity in the Regulated Market 42.80% higher, at R$ 2.806billion in 2012, compared to R$ 1.965billion in 2011. This increase substantially arises from connection of thermal plants in 2012, with a higher cost, and the transfer of this increase in cost to the distributors.

- Cemig D s expense on electricity from Itaipu was 16.29% higher. This supply is indexed to the dollar, and totaled R$ 885 million in 2012, compared to R$ 761 million in 2011 mainly reflecting depreciation of the Real against the dollar in 2012, whereas in 2011 the Real appreciated against the dollar. The average value of the dollar applied to invoices in 2012 was R$ 1.974, 17.78% higher than the value of R$ 1.676 applied in 2011.

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.

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Charges for the use of the Transmission Grid

The expense on charges for use of the transmission network in 2012 was R$ 1.011 million, vs. R$ 830 million in 2011, an increase of 21.81%. This expense refers to the charges, set by an Aneel Resolution, 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

The expense on depreciation and amortization was 1.83% higher in 2012, at R$ 1.001 billion, than in 2011 (R$ 983 million). This basically reflects increase in the assets of the concession due to the program of investments, mainly in distribution, offsetting the effect of the reduction in the rate of depreciation and amortization applied as from 2012 due to the revision of the figures for useful life.

Employee post-retirement liabilities

The expense on post-employment obligations in 2012 was R$ 134 million, compared to R$ 124 million in 2011, an increase of 8.06%. This expense represents the updating of the obligation, calculated in accordance with an actuarial opinion prepared by external consultants.

Personnel

Total personnel expenses in 2012 were R$ 1.361 billion, 8.97% more than in 2011 (R$ 1.249 billion). This principally reflects the salary increases in November 2011 and 2012, averaging 8.20% and 4.5% respectively, partly offset by the reduction of 3.84% in the number of employees.

Operational provisions

Operational provisions in 2012 totaled R$ 782 million, 203.10% more than in 2011 (R$ 258 million). This mainly reflects the following:

- A provision for doubtful receivables of R$ 159 million by Cemig D in 2012, reflecting non-expectation of receipt of the ICMS tax on Charges for Use of the Distribution System (TUSD).

- A provision of R$ 403 million for the Settlement Agreement between Cemig and the federal government in relation to the now-extinct CRC Account this settlement was an operational condition for the early settlement of the CRC Contract by the government of Minas Gerais State.

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

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Gas bought for resale

Expenses on gas bought for resale in 2012 were R$ 495 million, 50.46% more than their total of R$ 329 million in 2011. This primarily reflects the increase in the volume purchased, to supply the higher volume of gas sold by Gasmig in 2012, due to increased industrial activity of clients in the Steel Valley (*Vale do Aço*) and the South of Minas (*Sul de Minas*) regions as Gasmig has expanded supply to that region.

Outsourced services

The expense on outsourced services in 2012 was R$ 1.127 billion, compared to R$ 1.031 billion in 2011, an increase of 9.31%. The main variations arise from higher volume of services for communications, maintenance, and conservation and cleaning.

A detailed breakdown of outsourced services is given in Explanatory Note 25 to the consolidated financial statements.

Net financial revenue (expenses)

The company had net financial *revenue* of R$ 1.252 billion in 2012, compared to net financial *expenses* of R$ 970 million in 2011. The main factors in this result are:

- Revenue from cash investments 27.80% lower, due to a lower volume of cash invested in 2012.

- Revenue from monetary updating on the CRC Contract of R$ 2.383 billion, arising from its early settlement, as per fuller details given in Explanatory Note 12.

- Revenue from late payment charges on electricity bills 18.54% higher, at R$ 179 million in 2012, compared to R$ 151 million in 2011, resulting from improvement of the process of collection and negotiation of these debits.

- Increase in revenue arising from foreign exchange variations: R$ 44 million in 2012 compared to R$ 20 million in 2011, due mainly to the results of cash investments in foreign currency by Taesa.

- Increase in foreign exchange variation expense: This expense totaled R$ 82 million in 2012, compared to R$ 40 million in 2011, mainly due to FX variations on loan contracts expressed in US dollars assumed by Taesa as a result of the acquisition of Abengoa.

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 2012, Cemig s expenses on income tax and the Social Contribution tax totaled R$ 1,063 million, on pre-tax profit of R$ 5,335 million, a percentage of 19.93%. In 2011,

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Cemig s expense on income tax and the Social Contribution totaled R$ 918 million, on profit of R$ 3,333 million before tax, a percentage of 27.54%. These effective rates are reconciled with the nominal rates in Explanatory Note 10 to the consolidated financial statements for 2011.

Ebitda

Ebitda R$ million	**2012**	**2011**	**Change, %**
Net profit for the year	4,272	2,415	76,89
+ Provision for income tax and Social Contribution tax	1,063	918	15,80
+ Financial revenue (expenses)	(1,252)	970	
+ Amortization and depreciation	1,001	983	1,83
= Ebitda	**5,084**	**5,286**	**(3,82)**

Ebitda is a non-accounting measurement prepared by the Company, derived from its financial statements and obeying CVM Circular Letter SNC/SEP No. 01/2007 and CVM Instruction 527 of October 4, 2012. It consists of: net profit, adjusted for the effects of net financial revenue, depreciation and amortization, and income tax and the Social Contribution tax. Ebitda is not a measure recognized under Brazilian GAAP, nor by IFRS. It does not have a standard meaning; and it may be non-comparable to measurements with similar titles provided by other companies. The Company publishes Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitute for net profit or operational profit, nor as an indicator of operational performance or cash flow, or to measure liquidity or the capacity to pay debt.

The lower Ebitda in 2012 than 2011 mainly reflects increased costs of electricity bought by the distribution subsidiaries; this increased expenditure, however, will be received in the next tariff increases of these companies.

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, 2012 totaled R$ 2.486 billion, compared to R$ 2.862 billion on December 31, 2011. On December 31, 2012 neither our cash position nor our cash equivalents were maintained in any other currencies than the Real. Below we summarize the main factors in this reduction.

Cash flow from operational activities

Cemig s totals of Net cash generated by operational activities in 2012 and 2011 were, respectively, R$ 3.114 billion and R$ 3.898 billion. The lower total of cash generated by operations in 2012 than 2011 mainly reflects higher outflow of cash in payment of bought electricity.

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Cash flows in investment activities

Net cash used in investment activities in 2012 and 2011 was, respectively, R$ 2.100 billion and R$ 4.017 billion. The lower amount consumed in investment activities in 2012 than 2011 is mainly due to the net cash received from the early settlement of the CRC account, of R$ 1.901 billion, and the dilution of a jointly-controlled subsidiary, in the amount of R$ 645 million.

Cash flows in financing activities

Cash flow consumed by financing activities in 2012 totaled R$ 1.391 billion, comprising amortization of financings totaling R$ 6.838 billion, payments of R$ 1.748 billion in dividends and Interest on Equity, and R$ 7.195 billion in financings received.

Cash flow consumed by financing activities in 2011 totaled R$ 1 million, comprising amortizations of financings totaling R$ 2.218 billion, payments of R$ 2.036 billion in dividends and Interest on Equity, and R$ 4.255 billion in financings received.

Funding and debt management

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 in the future in a sustainable manner.

At the end of the year, Cemig contracted a short term loan in the amount of R$ 1.088 billion for redemption of its fourth issue of promissory notes.

In 2012, Cemig D (Cemig Distribution) raised R$ 1.470 billion, as follows: R$ 200 million through a Bank Credit Note with Banco do Brasil for refinancing of existing debt; R$ 1.240 billion through two issues of commercial promissory notes to finance investments, pay debt and replenish working capital; and R$ 34 million in financings from Eletrobras for the *Reluz*, *Cresce Minas* and *Luz para Todos* Programs. Also, the Company received R$ 175 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 extended the maturity of part of its debt through renewal of lending transactions with Banco do Brasil, as follows:

i) transactions contracted in 2006 with final maturity after 2012: extension of the 2012 maturity portion to 2013, in the global amount of R$ 300 million, the other maturities being unchanged, for financial cost of 104.1% of the CDI rate;

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ii) transactions with final maturity in 2012, in the total amount of R$ 442 million, extending the maturity of the last installment by five years, with payments in 2015, 2016 and 2017: the cost of this debt is 108% of the CDI, from the date of signature of the amendments to the contracts. In both transactions Cemig, the holding company, remained as guarantor, and Cemig D and GT maintained the option to pre-pay the debt without additional cost.

In March 2012, Cemig GT (Generation and Transmission) 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. Net proceeds from the issue were used for 100% redemption of the commercial Promissory Notes of the Company s fourth issue, placed on January 13, 2012, for their total nominal 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. This third public issue of non-convertible debentures has the surety guarantee of the parent company, Cemig, and was the first debenture issue to be held in the ambit of the Fixed Income Novo Mercado, regulated by Anbima, the Brazilian Association of Financial and Capital Market Entities. This New Market (Novo Mercado) is the result of a joint effort, implemented by the CVM, the Central Bank, the Brazilian Development Bank (BNDES), the finance ministry and by companies, to foster a more liquid trading environment in the secondary market, able to expand the base of investors (including foreign investors) and, more importantly, to achieve longer-term transactions linked to price indices, compatible with the investments in infrastructure that are necessary for the growth of the country, creating financing alternatives complementary to those of the BNDES.

Cemig: main indexors of debt on December 31, 2012

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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, a significant proportion of them tied to local Brazilian interest rates), and also of its intention to avoid exposure to foreign currency (currently at 3%). The concentration (47%) of the debt in the CDI rate contributed, for a time, to reduction of the cost of debt, with the recent downward path of Brazilian interest rates. The average cost of Cemig s debt in real terms, in current currency, is 5.03% p.a.

Cemig 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.

At December 31, 2012 the amortization timetable of the Company s debt was satisfactorily spread out over the years, with an average tenor of 3.9 years, although there is a concentration of debt maturing in 2013, as shown in the chart below, which has been partially refinanced in March 2013, through an issue of debentures by Cemig D (Cemig Distribuição).

This chart shows the debt amortization timetable:

Cemig: debt amortization timetable

at December 2012 (R$ million)

The credit ratings of Cemig and its principal subsidiaries were not changed over 2012, even in the context of the Company s expansion through projects or acquisitions reflecting, as the principal rating agencies state, a positive perception of healthy profitability and strong cash flow, assured by solid credit indicators and an appropriate liquidity profile.

New issue of shares by Taesa

In a public share offering on July 19, 2012 Taesa issued 24 million Units , at R$ 65 per Unit. Each Unit in this transaction comprises one common share and two preferred shares, all nominal, of the book-entry type and without par value. On August 20, 2012, the supplementary lot of the public share offering, of three million Units, was

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exercised in its entirety, resulting in a total of 27 million Units under the public share offering.

The share capital of Taesa was increased, within the limit of its authorized capital, in the amount of R$ 1.755 billion, by issuance of 81 million new shares: 27 million common and 54 million preferred. Following the capital increase, Taesa s share capital is R$ 3,028,652,000 (R$ 3,067,535,000 less the cost of the issue, R$ 38,883,000).

This issue of shares reduced Cemig GT s percentage equity interest in the total capital of Taesa from 56.69% to 43.36%. To record this difference between book value and the issue value, Cemig GT reported a gain, of R$ 259,325, in its profit and loss account.

THE REGULATORY ENVIRONMENT

Renewal of concessions

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

On September 11, 2012 the Brazilian federal government issued Provisional Measure 579 (PM 579), which makes provisions governing: electricity generation, transmission and distribution concessions; reduction of the sector charges; moderation of tariffs; and other matters.

With PM 579, the government aimed to close the debate on whether those electricity concessions that are referred to by Articles 17, §5, 19 and 22 of Law 9074, of July 7, 1995 and have expiry dates in 2015 or later could be extended, as per the conditions set out in that Law and in the respective Concession Contracts; or whether they would be put out to tender.

PM 579, when dealing with the extensions of concessions for electricity distribution, transmission and generation covered by the articles listed above, imposed new conditions on the concession holders for extension, allowing extension for a period of 30 years, provided that (i) the expiry dates of those concessions would be brought forward, and (ii) concession holders would sign Amendments to their Concession Contracts with the Concession-granting Power, establishing the new conditions.

On the question of renewal of the concessions in accordance with the terms of PM 579, the Company s Board of Directors made the following decisions:

Electricity distribution

Cemig applied for renewal of the distribution concession contracts of Cemig D. The expiry date of Cemig D s distribution concessions that will be the subject of extension for 30 years is in February 2016.

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Electricity transmission

Cemig applied for renewal of its concession contract. As principal effects of this renewal, the Company will earn an annual revenue for the operation and maintenance of the transmission lines of R$ 148.5 million for 2013, which compares with the annual revenue of R$ 485.2 million that would have been earned in 2013 under the previous concession contract, in which there was remuneration for the operation and maintenance, and remuneration for the investments of the company that have not yet been amortized. These amounts are net of tax.

As a consequence of the renewal of the concessions, the Company recorded a gain of R$ 192 million in 2012, for the difference between the book value of the assets to be indemillionified and the amount expected to be received from the federal government.

For more information please see Explanatory Note 4 to the consolidated financial statements.

Electricity generation

The company opted not to renew the 18 electricity generation concessions that had already been renewed once by the concession-granting power, and as a result it will continue to earn revenues from these assets under the terms of the concession contracts.

For the concessions of the *Jaguara, São Simão* and *Miranda* hydroelectric plants, which have expiry dates in August 2013, January 2015 and December 2016, respectively, the Company believes that it has the right to extension of these concessions under the conditions prior to PM 579, under clauses established in the concession contracts and in Article 19 of Law 9074/1995.

The above decisions taken by Cemig in relation to the Provisional Measure reflect the Company s commitment to the stockholders, employees and other stakeholders to maintain the sustainability and growth of the company.

Reduction of sector charges

Articles 21 and 24 of the Provisional Measure removed:

(a) the electricity distribution concession holders obligation to pay the contribution to the Global Reversion Reserve (RGR) account, and also

(b) the CCC fuel consumption charge (which prorates the costs of fuel consumption for electricity generation in the Isolated Systems the systems in remote areas not connected to the national grid).

The CDE the Energy Development Account will be reduced by 75%.

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The provisions of PM 579 reduce the costs of transmission and generation of electricity in the Brazilian national grid.

Tariff Review and Tariff Adjustment

Extraordinary Tariff Review

The new tariffs, including the effect of the Extraordinary Tariff Review, were homologated, taking effect on January 24, 2013, for all of Brazil s distribution concessions. In the case of Cemig D, tariffs were *reduced* by 18.14%, and will be applied up to April 7, 2013, when the Ordinary Tariff Review process, scheduled to take place every five years, will begin.

Ordinary (Periodic) Tariff Review Cemig D (Distribution)

The Third Tariff Review Cycle of Cemig D was scheduled to take place on April 8, 2013. The tariff reviews carried out by Aneel are preceded by public hearings, in which the public, agents of the sector, and the other parties interested in the process make their contributions. On March 1, 2013 Aneel held the public hearing to debate the proposal for a preliminary increase of 9.06% for the residential consumer and an average reduction of 2.51% for high voltage consumers such as industrial companies. It was not possible to foresee what final adjustment will be applied to electricity invoices as from April 8, 2013.

Annual tariff adjustment

Cemig D

In April 2012, a tariff adjustment was authorized for Cemig D of 3.88% for residential consumers, and an average of 3.79% for other consumers using medium and high voltage. The overall average impact for all the consumer categories was 3.85%. The main factors with a positive effect in this adjustment were the IGP-M inflation index, of 3.23%, transmission expenses 11.7% higher, and the expense on bought energy 8.3% higher. Factors influencing the adjustment downward included the sector charges, which were 14.3% lower, the most important being a reduction of around 50% in the Fuel Combustion Account (CCC), which is a subsidy for thermal generation in the isolated systems (not linked to the national grid) in the Northern region of the country.

ICMS, a tax levied by individual states, is charged directly on the consumer invoice, and passed on in its entirety to the state government. In the case of Minas Gerais, residential clients with consumption lower than 90 kWh/month about 2.8 million people are exempt from the tax.

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Light

Aneel, in a public meeting of its Council on November 6, 2012, approved an average upward adjustment of the tariffs of Light SESA by 10.77% for the period of 12 months from November 7, 2012.

This adjustment comprises two components:

• the Structural component, permanently integrated into the tariff, of 7.17%; and

• the Financial component, applied exclusively to the next 12 months, of 3.60%.

No effects arising from PM 579 are included in this annual tariff adjustment of Light, because the planned tariff reduction was applied as from February 5, 2013, when Aneel began the Extraordinary Tariff Review.

Management of power losses

The Overall Loss Index of Cemig D (Distribution) was 11.11% in December 2012. Of this total percentage, 9.03% represented technical losses and 2.08% non-technical losses. This index is lower than the quality index required by the regulator in the last Tariff Review.

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). Specific actions for mitigation of technical losses were put in place in 2012, such as the installation of capacitors on the medium-voltage network, and replacement of conventional transformers, which were old and overburdened, by new, amorphous-core transformers which have 75% less technical losses; in addition automatic capacitors will be installed on the medium-voltage networks in 2013.

In the management of non-technical losses, regularization of 42,000 consumers has provided a recovery of energy totaling 159 GWh, and an increase of 113 GWh. These amounts correspond to aggregate revenues of R$ 58.8 million and R$ 42.1 million, respectively. The additional revenue arising from charging of the administrative costs of irregularities, and for damage caused to measuring equipment, totaled R$ 1.5 million. Thus, the process of regularization gave rise to total additional revenue of R$ 102.4 million.

Further to this: improvements were made to the tool for selection of inspection targets (SGC/SAP): productivity was increased in the process of charging for irregular consumption; revenue from medium- and large-scale consumers was bulletproofed ; approximately 217,000 obsolete meters were replaced; 16,000 public illumination lamps left on during the day were regularized reducing losses by 5 GWh or more than R$ 1.7 million; and 7,400 clandestine connections were removed reducing losses by 17,6 GWh or R$ 1.85 million.

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Regulatory assets and liabilities

The Company has assets and liabilities for regulatory purposes, which are not recorded in its Consolidated Financial statements, as follows:

	2012	2011	01/01/2011
Assets			
Prepaid expenses CVA (1)	884,209	332,829	327,379
Review of the Tariff for Use of the Distribution Network (TUSD)(2)	3,089	3,089	3,089
Low-income subsidy	335	591	24,120
TUSD discounts for incentive bearing sources	59,627	26,620	58,748
TUSD discounts self producers and independente producers	7,597	29,137	11,797
Discounts for irrigation operators	8,338	20,321	12,952
Other regulatory assets	17,735	31,198	83,706
	980,930	**443,785**	**521,791**
Deferred Income tax and social contribuiton	(257,580)	129,290	10,542
	723,350	**573,075**	**532,333**
Liabilities			
Portion A		(9,646)	(35,799)
Regulatory liabilities CVA (1)	(294,474)	(559,253)	(416,762)
Low-income subsidy	(1,493)	(147,695)	
Other regulatory liabilities	(4,487)	(35,855)	(88,088)
Effect on Net profit of increase of holding in jointly-controlled subsidiary	5,248	5,248	
	(295,206)	**(747,201)**	**(540,649)**
	428,144	**(174,126)**	**(8,316)**

(1) The Portion A Costs Variation Compensation Account (Conta de Compensação de Variação de Custos da Parcela A, or CVA).

(2) Tariff for Use of the Distribution Systems (Tarifa de Uso dos Sistemas de Distribuição, or TUSD).

The main features of the regulatory assets and liabilities are described below:

Portion A Costs Variation Compensation Account (CVA), and Neutrality of Sector Charges

The balance on the Account to Compensate for Variation of Portion A items (the CVA), and Neutrality of Sector Charges, refers to the positive and negative differences between the estimate of the Company s non-manageable costs and the payments actually made. The variations found are the subject of monetary updating based on the Selic Rate and compensated in the subsequent tariff adjustments.

Portion A

The items of Portion A are defined as being the sum of the differences, positive or negative, in the period January 1 to October 25, 2001, between the amounts of the non-manageable costs presented in the basis of the calculation for determination of the last annual tariff adjustment and the disbursements which actually took place in the period.

The amounts posted by the Company are for reimbursement, to consumers, of the amounts invoiced in excess.

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TUSD and Irrigation Discounts

This refers to the loss of revenue by concession holder as a result of granting of: (a) discounts to free consumers that use electricity from incentive-bearing sources; self-producers; and independent power producers; and (b) the special discounts on the supply tariff for activities of irrigation and fish farming.

Low-income subsidy

Subsidies granted to consumers that have the right to the Social Electricity Tariff (*Tarifa Social de Energia Elétrica*, or TSEE), to be reimbursed, to the Company, by the other consumers.

Other financial components

This refers to the other positive or negative differences between the estimate of non-manageable costs, not defined as CVA, and the payments actually made, compensated in the subsequent tariff adjustments.

The net effects of the regulatory assets and liabilities in the Company s consolidated results, if they were recognized, would be as follows:

	2012	2011
Net profit for the year	**4,271,685**	**2,415,450**
Prepaid expenses and Regulatory liabilities CVA (1)	764,333	(138,315)
Other Regulatory Components (2)	224,808	(143,538)
Tax effects on regulatory assets and liabilities	(386,871)	116,045
Regulatory profit (loss for the year)	**4,873,955**	**2,249,642**

(1) Portion A Costs Variation Compensation Account (CVA).

(2) This refers principally to the Low Income Subsidy, and sundry discounts granted.

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RELATIONSHIP WITH OUR CLIENTS

Retail supply quality

Cemig is continuously taking action to improve its operational management, the logistical organization of services to attend to emergencies, and at all times inspecting and carrying out preventive maintenance of substations, lines and distribution networks. It also invests in training and skill acquisition for its staff, and in state-of-the-art technologies and standardization of its work processes.

The charts below show the changes in the continuity indicators SAIDI (System Average Interruption Duration Indicator) and SAIFI (System Average Interruption Frequency Indicator) of Cemig in the last three years. We highlight the reduction in the component of SAIDI due to accidents in 2012, and the difference between SAIDI for (a) outages caused by accidents and (b) programmed outages, related to new investments for which it is occasionally necessary to interrupt the supply of electricity.

Service policy

To provide service of good quality to its clients, and also to facilitate consumers   access to the Company, Cemig makes available a mix of service channels involving various means of communication, both in person and at a distance.

The *Talk to Cemig* channel is a means for the Company and its clients and consumers to be in contact, via the telephone number 116 and/or by the Internet. In 2012 this channel carried out approximately 15 million interactions by telephone, 140,000 via chat and 120,000 via email.

Attendance to the client in person takes place through the *Cemig Fácil* service network, which has 157 *Cemig Fácil* service posts in towns with more than 10,000 consumer units, and in 620 *Cemig Fácil* posts in towns with less than 10,000 consumer units. The service is present in all the 774 municipalities of Cemig s concession area. The number of individual interactions with clients in the *Cemig Fácil* network in 2012 was approximately 7 million.

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Another important channel today is the *Cemig Torpedo* (Torpedo being a once-brand name, now in the language, for a short text message), which enables the consumer to contact Cemig via mobile phone SMS messages. In 2012 the number of messages received was approximately 175,000.

The Company also seeks to offer a better service to and interaction with its consumer publics with specific needs, through appropriate facilities in the Service Branches complying with the accessibility rules (Brazilian Standard NBR 9050), chat via the V*irtual Branch*, Cemig Torpedos, and electricity bills in Braille. A feature of Cemig s environmental stations is their trekking paths with instructions in Braille, aiming to enable the visually challenged to have a more complete visiting experience.

This chart indicates the Company s client service channels, and the proportional use of each as a percentage of the total number of client interactions.

NEW INVESTMENTS

Additional acquisition of equity interest in Gasmig

In 2012 Cemig acquired an additional holding of 4.38% of the total capital of Gasmig, from the government of the State of Minas Gerais, for R$ 65 million.

The Transmission Assets Investment Contract

On May 17, 2012, Cemig, Cemig GT and Taesa signed a Private Contract for Investment in Transmission Assets, agreeing the transfer to Taesa of the minority equity interests held by Cemig and Cemig GT in the share capital of the following holders of public electricity service concessions:

(i)	Empresa Catarinense de Transmissão de Energia S.A.	ECTE,
(ii)	Empresa Regional de Transmissão de Energia S.A.	ERTE,
(iii)	Empresa Norte de Transmissão de Energia S.A.	ENTE,
(iv)	Empresa Paraense de Transmissão de Energia S.A.	ETEP,
(v)	Empresa Amazonense de Transmissão de Energia S.A.	EATE, and
(vi)	Empresa Brasileira de Transmissão de Energia S.A.	EBTE.

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In this stockholding restructuring, Taesa will disburse R$ 1.732 billion: R$ 1.668 billion to Cemig and R$ 64 million to Cemig GT, adjusted by the CDI rate from December 31, 2011, less any dividends and/or Interest on Equity declared, paid or unpaid. The amount involved was agreed by the companies based on technical evaluations contracted from independent external valuers.

With the implementation of the restructuring, Taesa will have an interest in 9,378km of transmission lines, resulting in an addition of 3,127km, strengthening its capacity for generation of cash and profits for stockholders.

The restructuring is planned to be concluded in 2013, after approval by the Brazilian anti-trust bodies, including the monopolies authority, CADE (*Conselho Administrativo de Defesa Econômica, or* Economic Defense Administrative Council), subject to obtaining of the relevant prior approvals, which include the consent of Aneel and of the financing banks, in particular the BNDES (Brazilian Development Bank).

Acquisition by Taesa of the remaining 50% of Unisa

On July 3, 2012 **Taesa** concluded the acquisition of the remaining 50% of the shares held in **Unisa** by **Abengoa** Concessões Brasil Holding S.A. Unisa had been jointly-controlled by Taesa and Abengoa, and on July 3, 2012 it became a wholly-owned subsidiary of Taesa. The total value of the acquisition was R$ 904 million. More details on assets acquired and liabilities recognized are in Explanatory Note 14 to the financial statements.

Other investments

Generation

Investments of approximately R$ 162 million were made in expansion, overhauls and improvements to Cemig GT s generating assets in 2012. The following are highlights:

- *SPE Amazônia Energia Participações S.A. (Belo Monte) R$ 97 million*: Cemig owns 74.5% of Amazônia Energia, which in turn owns 9.77% of the Belo Monte hydroelectric plant. This project is 24.93% completed and the main machine room is scheduled to start operation in March 2016.

- *SPE Guanhães (the Minas PCH Program) R$19 million.* Construction began in September 2012 on four PCHs in the East of Minas Gerais, with total installed capacity of 44 MW: *Senhora do Porto*, *Dores de Guanhães* and *Jacaré*, in the municipality of Dores de Guanhães; and *Fortuna II*, in the municipalities of Guanhães and Virginópolis. The planned total investment in this project is R$ 321 million, and Cemig has a 49% interest. Works are scheduled to be completed in two years, with the first unit starting commercial operation in May 2014.

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Improvements in transmission infrastructure

Investments of R$ 85 million were made in expansion, overhaul and improvements of Cemig GT s transmission system in 2012.

Distribution

The Distribution Development Plan (PDD)

Over the five years 2008 2012, Cemig D has invested approximately R$ 3.6 billion in the Distribution Development Plan, which has the following components: Expansion and strengthening of the distribution system; Renewal of existing assets; Quality improvement; Maintenance; and Service to current and new clients. Of this total, R$ 1.2 billion was invested in 2012.

It is important to point out that over these five years (2008 2012), more than one million new electricity consumer clients were linked to the electricity system for the first time, in urban and rural areas.

Natural gas

Gasmig has now sold 1.3 billion cubic meters of natural gas.

It has invested R$ 42.7 million in the natural gas distribution networks of Minas Gerais State, building 28.5km of pipeline network in the Metropolitan Region of Belo Horizonte, the South of Minas (*Sul de Minas*), the Steel Valley (*Vale do Aço*) and the Mantiqueira region (Juiz de Fora).

Highlights in 2012 are: the works on the South Ring (*Anel Sul*) project to serve residential and commercial clients in the district of Santo Agostinho, in Belo Horizonte; construction of the Metropolitan Ring , and refurbishment of North Branch II (*Tronco Norte II*), which will enable increase of service capacity by 1 million m³/day; and the start of studies for natural gas distribution in the cities of Governador Valadares and Pouso Alegre implementing the Company s plan for expanding gas service into the interior of the State.

Another important project is recuperation of the Vehicle Natural Gas market. The Company has acted widely over the whole production and consumption chain of this market segment, through: actions to strengthen it with final users, emphasizing the advantages of the product; closer relationships with retail outlets; establishment of partnerships with conversion companies, assemblers and inspection bodies; and working agreements with public bodies and teaching institutions, etc., within the I m Going Gas (*Vou no Gás*) Project.

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THE CAPITAL MARKET AND DIVIDENDS

Cemig s shares were first listed on the Minas Gerais stock exchange on October 14, 1960. They were then 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, Cemig has been part of the Level 1 Corporate Governance listing of the Bovespa. Cemig s shares have also been traded, as ADRs, on the New York Stock Exchange (CIG and CIG/C) since 1993, and as Level 2 ADRs since 2001. Since 2002 they have been trading on the Madrid Stock Exchange (as XCMIG).

Stockholding structure

On December 31, 2012 the Company s registered share capital was R$ 4.265 billion, as shown in the following chart:

Share prices

Below are the closing prices for 2012 and 2011 of Cemig shares and ADRs in São Paulo (Bovespa), New York (NYSE) and Madrid (Latibex).

Security	Ticker	Currency	Close of 2011	Close of 2012
Cemig PN	CMIG4	R$	21.93	22.60
Cemig ON	CMIG3	R$	17.73	21.90
ADR PN	CIG	US$	11.60	10.86
ADR ON	CIG.C	US$	9.10	11.18
Cemig PN (Latibex)	XCMIG	Euro	9.91	8.31

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

In 2012, total trading in Cemig s preferred shares, CMIG4, on the São Paulo Stock Exchange was R$ 19.6 billion, with a daily average of just under R$ 80 million. This places the stock among the most traded on the Bovespa, providing investors with security and liquidity.

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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.

In 2012 the price of Cemig s preferred shares (CMIG4) rose by 3.06%, and the common shares (CMIG3) rose by 23.53%. The two shares respectively provided total return to the stockholder of 5% (CMIG4) and 25% (CMIG3), in 2012.

	CMIG4	CMIG3	CIG	CIG.C	IBOV	DJIA	IEE
2012	3.06%	23.53%	-6.41%	22.83%	7.40%	7.26%	-11.72%

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. The Company s market value diminished from December 31, 2011 to December 31, 2012, mainly reflecting the new regulatory conditions for the generation and transmission sectors laid down by Provisional Measure 579. Over the last five years, the Company s market value has grown by just under 21%:

Market valuation

R$ billion

These charts compare Cemig s share prices over recent years with other indicators.

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Source: Economática.

Source: Economática.

DIVIDEND POLICY

Cemig, through its bylaws, 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 to which they refer.

In 2011 and 2012 the Company also declared extraordinary dividends, in the amounts of R$ 850 million (R$ 1.25 per share), and R$ 1.600 billion (R$ 1.88 per share), respectively.

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PROPOSAL FOR ALLOCATION OF NET PROFIT

The Board of Directors will propose to the Annual General Meeting to be held in April 2013 that the profit for 2012 and the balance of retained earnings arising from the realization of the Revaluation Adjustments Reserve, in the amounts of R$ 4.272 billion and R$ 121 million, respectively, should be allocated as follows:

- R$ 1.700 million to payment of Interest on Equity.
- R$ 590 million for ordinary dividends.
- R$ 628 million for additional dividends.
- R$ 171 million to the Legal Reserve.
- R$ 1.304 billion to be held in Stockholders equity to ensure amortization of loans and financings and also for the capital expenditure investments planned for 2013, as per the Company s capital budget.

CORPORATE GOVERNANCE

Our Board of Directors has 14 members, and an equal number of substitute members, appointed by the stockholders. The by-laws specify a unified term of office for all the Board members, of two years, and that a member may be reelected at the end of the period of office.

In 2012, 29 Board meetings were held to decide on a wide range of matters, from strategic planning to investment projects.

The Board of Directors also has 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, it meets the requirements for exemption from constitution of an audit committee under the Securities Act and the Sarbanes-Oxley Law. In 2012 the Audit Board held 10 meetings.

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Relationship with external auditors

We adopt a system of five-year rotation for our external independent auditors. Complying with CVM (Securities Commission) Instruction 308/99, we changed our auditors in 2012. In the 2011 business year our auditors were KPMG Auditores Independentes, who continued until the end of the audit of the interim financial statements at March 31, 2012, which were filed with the CVM on May 14, 2012. Deloitte Touche Tohmatsu Auditores Independentes took over responsibility for our auditing as from the interim financial statements at June 2012, and they are responsible for the auditing of our financial statements at December 31, 2012. The services provided by independent auditors to Cemig and the majority of its subsidiaries were as follows:

Services	**2012 R$ 000**	**% relative to audit work**	**2011 R$ 000**	**% relative to audit work**
Auditing services				
Audit of financial statements	810	79.18%	624	51.74%
Evaluation of internal controls SOX	206	20.14%	255	21.14%
Audit of regulatory assets and liabilities	7	0.68%	302	25.04%
Auditing of R&D Projects			25	2.07%
	1,023	100.00%	1,206	100.00%
Additional services:				
Review of tax returns and of the quarterly provisions for income tax and Social Contribution tax	28	2.74%	121	10.03%
Translation of reports	2	0.20%	9	0.75%
Training in Corporate Tax Returns and changes in legislation			6	0.50%
Technical Financial Report for the State and World Bank - Pronoroeste Project			16	1.33%
	30	2.93%	152	12.60%
Overall total	**1,053**	**102.93%**	**1,358**	**112.60%**

In Management s opinion, the additional services shown do not result in loss of independence by the external Auditors and are not included in the items prevented by the Sarbanes-Oxley Law or Article 23 of CVM Instruction 308 of May 14, 1999.

RISK MANAGEMENT

Cemig received unqualified Certification of its internal controls for the consolidated financial statements, for the business year 2011, as stated in the Opinion of KPMG Auditores Independentes dated April 26, 2012, contained in the Annual Report filed on Form 20-F with the United States Securities and Exchange Commission (SEC) on April 27, 2011. This same result has been achieved since 2006.

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Every year, based on an analysis and review of the mapping of risks in the processes, the Company s management documents and tests the effectiveness of the controls, at the business process level and the entity level, 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), the Committee of Sponsoring Organizations of the Treadway Commission (Coso) and the Control Objectives for Information and Related Technology (Cobit).

TECHNOLOGICAL MANAGEMENT AND INNOVATION

Historically, constant investment in innovation, technology and efficiency, and the Company s pioneering vocation, have been determining factors in Cemig achieving its present positioning in the market.

As a tool for achieving its mission, Cemig employs strategic management of technology, with two main components: its Research and Development program; and investment in technological development, including successful partnerships.

In 2012 Cemig spent approximately R$ 90 million on Research and Development, and Energy Efficiency.

The following research studies and projects were highlights in 2012:

The Mineirão Solar Project: This is a plan to build a giant photovoltaic solar generation plant on the roof of the Mineirão the affectionate name given by the people of Minas Gerais to their massive football stadium in Belo Horizonte. The plant, with capacity to generate 1.2 MW, is scheduled to start operating in June 2013, supplying energy to the Stadium and to the market.

Photovoltaic solar energy research project in Sete Lagoas: A working agreement has been signed to build a generating facility based on this technology, with an experimental 3.3 MW solar platform, in a partnership between Cemig, the Spanish company Solaria Energia y Medio Ambiente, the Federal University of Minas Gerais (UFMG) and the Minas Gerais Research Support Foundation (FAPEMIG).

Project to Revitalize and Repower Transformers, and Develop Vegetable Oil Transformers: In partnership with ABB, Cemig has begun a new stage of the project, with vegetable oil being used in the place of mineral oil. The main advantage of vegetable oil is that it dissolves faster, significantly reducing risks of environmental damage in the event of a leak, as well as multiplying the useful life of a standard transformer by a factor of five.

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Latin America Smart Grid Architecture Research and Development Project the Cities of the Future project: This project, under a partnership between Cemig, the Telecoms Development Research Center Foundation (CPqD) and the Technological Innovations Foundation (FITec), will support analysis of feasibility of application over the whole of the Company s concession area. The city of Sete Lagoas has been chosen for the pilot project. Evaluations will provide input for development of smart grid models to support strategic decisions for implementation on a large scale in coming years.

SOCIAL RESPONSIBILITY

Cemig s social responsibility strategy is to grow while involving all the publics to which it relates. Cemig is currently present in more than 774 cities and 22 states of Brazil, delivering energy, with quality, to millions of Brazilians.

In all its interactions Cemig is careful to respect and listen to those who are affected by any activity or have direct contact with Cemig. In our projects or in those that we administer, the contact with communities takes place throughout the year, through projects providing education, incentives for artisanal and other local activities, rain warnings, periodic visits, training, all with the purpose of providing assistance and accompanying local development.

The following are some of the highlight projects in 2012:

Social tariff

Approximately 760,000 families have so far fulfilled registration to obtain this benefit on their bills from Cemig D, and the Company estimates that approximately 1.3 million residences may be involved. To receive the discount the client s household must have per average capita income of up to half the minimum wage, be inscribed in the Federal Government s Single Register for Social Programs, and have a Social Identification Number (NIS) or Continued Social Assistance Benefit (BPC).

AI6% Program

This project has been organized for the last 10 years by the Cemig Inter-management Association (AIC) and the Integrated Social Actions (ASIN) Project. It encourages employees and retirees of Cemig to redirect 6% of their income tax payable to the Infancy and Adolescents (FIA) Funds.

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The funds have been paid to various projects that work with actions to protect and defend the rights of children and young people in a situation of risk or social vulnerability. These are initiatives for causes such as: redeeming values and activities of culture; projects linked to sport; protection against violence; elimination of child labor; professional training for adolescents; family orientation and support; and social-educational measures.

The 2012 2013 campaign of the Program had the participation of 2,460 employees of Cemig, who allocated funds totaling R$ 1.55 million, to be distributed between 197 social institutions registered in 104 cities and towns.

The *Energia Inteligente* Program

This program expresses Cemig s concern to serve clients with quality, and to orient them as to the correct and rational use of electricity.

The Rural *Conviver* Project

This project won the International Chico Mendes Social-Environmental Award, for its work on energy efficiency with small farmers in the north of Minas, in the municipality of Jaíba.

The *Versol* Project

This initiative teaches people to sail, and was of fundamental influence in achieving recognition of the reservoir of the Três Marias plant as a place for sports and competitions. The project began in 2010, and is a partnership between the Company, the City Hall of Três Marias and the Rumo Náutico Institute, directed by the Grael brothers. The project offers 150 places per half-year, for children and adolescents, of both sexes, from age 9 to 24, that are pupils in the public school network. Participants receive lessons in sailing, canoeing, rowing, swimming, volleyball and other sports and practice activities of play, enjoyment and entertainment. They also learn about nautical mechanics, notions of climate, ecotourism and biology.

The *Proximity* Program

This program was created in 2012, and aims to disseminate information while creating partnerships and helping social development: Its focus is on developing a culture on the subject of floods their origins, the actions and behavior that exacerbate them, actions that reduce their effects, and how the reservoirs work to minimize them. Cemig GT holds meetings over the whole year in difficult locations, giving lectures about weather forecasting, the Company s activity in control of floods, the procedures that ensure the physical safety of dams and barriers, environmental actions, and other subjects that are important for the local population. The programming also includes a guided tour of a plant in the region, for people to get to know its structure and how it works.

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Value added

The Value Added Statement (*Demonstração do Valor Adicionado*, or DVA) is an indicator of the Company s importance for society in general, and its generation of wealth: the added value created in 2012 was measured as R$ 16.689 billion, compared to R$ 14.062 billion in 2011.

People

Cemig believes that its human capital is a fundamental element for fulfillment of its commitment to economic, social and environmental sustainability. With this focus, it adopts best practices in the labor market in its management of people.

Work safety, health and well-being

In the last 10 years, Cemig s frequency of accidents with time off work (*Taxa de Frequência de Acidentes com Afastamento*, or TFA) has reflected the positive results of the preventive action by the Workplace Health, Safety and Well-being Unit (SSO&BE). The indicator is showing a continual downward trend, indicating support for approaching the Zero Accident target set by senior management.

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Attraction of talents

Through its Annual Curriculum Interns Program, Cemig provided practical application of theory to 371 interns, contributing to technical improvement of Cemig s processes and providing complementary knowledge experience for these students. The interns made use of 97% of the 379 vacancies offered in 2012.

The Cemig-Cesam Apprenticeship Program provided 255 adolescents in situations of need with the opportunity to achieve professional apprenticeship and development of new competencies, and experience the Company s working environment, under the supervision of employees of the Company as tutors.

As a result of personnel planning studies, aiming to maintain alignment of its personnel policy with corporate strategy, public Competition Tenders were published to fill 800 technical-administrative-operational and university-level positions, with a view to replenishing the staff of the wholly-owned subsidiaries Cemig D and Cemig GT.

UniverCemig

Cemig s corporate university (UniverCemig) was created in December 2008, to provide educational development throughout the Company s value chain.

As well as technological innovation, UniverCemig maintained its strong activity in the qualification of its own and contracted employees. Major corporate programs were applied during the course of the year. On the basis of the technique of Instructional Design, successful partnerships and dissemination of the culture of safety, UniverCemig is now preparing itself for a new challenge: To establish, in 2013, a culture of self-development of the employees, through the medium of technology.

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Number of employees

Cultural and sporting initiatives

In 2012 Cemig s sponsorships were once again guided by its Sponsorship Policy, acting in synergy with current public policies for improvement of the State s cultural scenario. The Company s two programs *Cemig Cultural* and *Film it in Minas* supported 162 projects in 24 municipalities, achieving the State Culture s Department s aim of regionalizing production. The total invested in Culture including both sponsorships encouraged by federal laws and the Company s own direct donations, was R$ 19.63 million. The *Film it in Minas* Program for 2011-2012 supported 32 projects with investment of R$ 4.5 million.

In Sport, continuation of the sponsorships for the projects of the three previous years resulted in national prizes and once again the *Sport-Friendly Company* Award from the Sport Ministry. Projects were sponsored in sub-20 football, rugby, Olympic swimming, volleyball, Taekwondo, Paralympics gymillionastics and water sports, and in continuation of the *Versol* Project at Três Marias. A total of R$ 4.5 million was passed through under the Sport Law; the projects were selected jointly with the Sport Department of Minas Gerais State.

The partnership with the Voluntary Social Assistance Services (*Serviço Voluntário de Assistência Social* Servas) was maintained, sponsoring the *Vita Vida* and *Valores de Minas* projects. The first combats hunger, providing balanced meals to 3,200 children per month. The latter provides support to strengthen self-esteem and personal growth for thousands of students in the state school network, through culture-related activities.

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Environment

In 2012, Cemig invested at total of R$ 151.9 million in environment-related activity; R$ 91 million in actions to put new projects in place, and R$ 60.9 million in environmental management. R$ 6.63 million of the total was applied in environment-related research projects. R$ 11.225 million was invested in consortia in which Cemig participates. New projects receiving funds include the *Paracambi* and *Guanhães* small hydro plants, and, reflecting Cemig s participation in them, the *Santo Antônio* and *Belo Monte* hydroelectric plants.

The environmental dimension

The quality of the water in Cemig reservoirs is monitored regularly, in a network that includes the main river basins of Minas Gerais (Rivers: Grande, Paranaíba, Pardo, São Francisco, Doce, Paraíba do Sul, Itabapoana and Jequitinhonha), with a total of 43 reservoirs and more than 250 stations for collection of physical, chemical and biological data.

After a reassessment of the monitoring network, new stations were included, to collect more information to support the management of water quality of the reservoirs and meet the requirements of state and federal conditions and resolutions.

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Management of waste

In 202 Cemig dealt with 26,800 tons of waste: 26,300 tons were sold or recycled, 459 tons were co-processed or incinerated; and six tons were disposed of in industrial landfill.

Among these amounts: 115 tons of insulating mineral oil not appropriate for use were sold, and 364 tons of oil-impregnated waste and 17 tons of IPE were co-processed. The total also breaks down into 1,200 tons of hazardous wastes, and 25,600 tons of non-hazardous wastes.

Fish preservation programs

The *Peixe Vivo* (*Fish Alive*) Program is an example of integration between environmental conservation and social benefits. It was created five years ago, to achieve effective measures for conservation of fish populations and also favor neighbor communities that use water resources as a factor in development.

The Program aims to expand fish replacement activities, research and preventive actions to make electricity generation have the smallest impact possible on fish populations. A total of 800,000 young fish were released in 2012, with a total of 17 tons of fish in 142 fish release actions.

Flora and Fauna

Cemig manages 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 has produced 386,391 saplings, and 1,049kg of seeds of tree species.

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Environmental education

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 Our Land*). At the end of 2012, the program had enrolled 174 new schools as partners, with 51,827 new pupils involved and more than 3,000 teachers trained with the material made available. In the last 10 years the program has made teaching material available to approximately 18,796 educators, and involved more than 301,920 pupils in their final years of basic education.

Other practices with a focus on social and environmental education are propagated at the Company s Environmental Stations, and in specialized centers located in its projects. In 2012 alone, more than 7,700 people were involved in these activities, which include technical visits, participation in lectures, courses and games activities, and participation in environmental events organized by the Company such as releases of fish, or release into the wild of animals that had been restored to health in the environmental stations.

Climate change

98% of the electricity produced by Cemig comes from renewable sources: hydroelectric power, in small and large hydroelectric stations; wind power; and solar power. Cemig invests strongly in Research and Development, for innovation and alternative energy sources, programs for efficiency and conservation of energy, and development of CDL Clean Development Mechanism projects as specified in the Kyoto Protocol. In 2012 Cemig published its first Inventory of Greenhouse Gas Emissions, verified by an independent authority.

Since 2007, Cemig has responded to the Carbon Disclosure Project (CDP), thus being part of the global databank on corporate climate impact, representing 535 global investors with more than US$ 64 trillion in assets under management.

In 2012 Renova Energia S.A., in which Cemig has an indirect stockholding, opened Latin America s largest wind farm, the *Alto Sertão I* Complex. The project is cited internationally as a success due to the execution model used in implementation of the 14 wind farms that make up the Complex. The Company is now building the *Alto Sertão II* Complex. Jointly the two projects will generate more than 700MW of electricity enough to supply more than six million people. Renova has disbursed more than R$ 9 million in licensing and environmental programs.

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Environmental licensing

In 2012 Cemig s corporate licensing department began the processes for corrective licenses of its projects that have been in operation since before February 1986. At the end of the year the corrective operational license was obtained for the *Emborcação* Plant, Cemig s second largest. The license for the *São Simão* Plant, Cemig s largest, has been renewed. All the seven networks representing Cemig s distribution lines and electricity substations have completed the corrective licensing process.

Cemig D has 48 facilities (substations) which have Grant Certificates issued by the Minas Gerais Waterways Management Institute (IGAM).

Cemig GT has 210 grant certificates registered (capture of surface water, artesian wells, hydroelectric generation and other grants), of which seven were issued by the competent authority in 2012.

RECOGNITION AWARDS

Cemig s efforts in 2012 led to recognition and awards reflecting the excellence of its activities by various sectors of society, among which we highlight the following:

The Dow Jones Sustainability Index

Cemig has once again been selected for inclusion in the *Dow Jones Sustainability World Index* (the DJSI World), for 2012 2013. This brings the number of years that Cemig has been in this index to 13, 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 the index, in 1999.

The new composition of the *DJSI World* has 340 companies, from 30 countries. The selection process considered 2,500 companies in 58 industrial sectors.

Being part of the Dow Jones Sustainability Index for these 13 years reaffirms Cemig s commitment to sustainable growth, directed toward creation of value for stockholders and the wellbeing of society.

The Bovespa ISE Corporate Sustainability Index

Cemig was selected, for the eighth year running, for the São Paulo stock exchange s ISE Corporate Sustainability Index. It has been selected for the ISE since this index was created in 2005. 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.

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The Brazilian accounting profession s Transparency Trophy

Once again the accounting community gave recognition to the quality and clarity of Cemig s financial statements. 2012 was the ninth year running in which Cemig has won the Transparency Trophy (*Troféu Transparência*), awarded by Anefac, Fipecafi, Serasa and Experian. 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 Abap Sustainability Award

Cemig once again stood out in the Sustainability Award given by Abap, the Brazilian Advertising Agencies Association *Associação Brasileira de Agências de Publicidade*, Minas Gerais chapter (Abap-MG) with its recognition as the *Best Advertiser,* in the fourth annual award of these prizes. Cemig was considered to be the company or organization that made the greatest effort to publicize and promote values, policies, practices and actions focused on sustainability in the State of Minas Gerais.

The Hugo Werneck Award for Sustainability and Love of Nature

Cemig s CEO, Djalma Bastos de Morais, received the *Best Entrepreneur* trophy in the Hugo Werneck Awards for Sustainability and Love of Nature. This prize, created in 2010, is an important benchmark in Minas Gerais. The main categories for evaluation by the adjudication committee, in a very wide range of categories, are the knowledge of and care for nature shown by personalities and companies of the State.

Apimec Award

Cemig s Chief Officer for Finance and Investor Relations, Luiz Fernando Rolla, was elected the Best Investor Relations Professional of 2011 in the 2012 Apimec Awards. These awards, now in their 39th year, are given by the Brazilian Association of Capital Markets Investment Analysts and Professionals (*Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais*, or Apimec). They recognize institutions and professionals that have contributed, during the year, to the development and improvement of the financial and capital markets and of investment professionals.

Sport-Friendly Entrepreneur Award

The Sport-Friendly Entrepreneur award (*Prêmio Empresário Amigo do Esporte*) recognizes supporters of sports and para-sports projects that have contributed, through the Sport Incentive Law, to the development and strengthening of Brazilian sport in its various forms. Cemig won first place for Minas Gerais State, in the *Best Friend of Sport in the States* category.

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Companies that Communicate Best with Journalists

For the second year running, Brazilian journalists chose Cemig as the *Company that Best Communicates with Journalists,* in the electricity sector. The award is promoted by the magazine *Negócios da Comunicação* (*Communications Business*), and given in the presence of the chosen companies in 31 economic segments evaluated. The award aims to recognize the quality of companies relationship with journalists, and to highlight the level of treatment that they give to media professionals in terms of access, availability, and ease of discovering corporate, sector and general information.

14th Abrasca *Best Annual Report* survey Honorable Mention

Cemig s Annual Report published in 2012 was highlighted under the *Strategy* criterion of the 14th annual *Abrasca* Awards, given by the Brazilian Listed Companies Association (*Associação Brasileira das Companhias Abertas* Abrasca). The award was created to encourage companies to optimize the quality of information presented to the market, and thus to continuously improve corporate governance mechanisms. In a points system, Cemig received 94.33 out of a maximum of 100, and had the highest mark in four categories, one of which, for example, was Social and Environmental Aspects.

The National Quality Prize (PNQ)

Cemig GT, Cemig s wholly-owned subsidiary, won first place in Brazil s 2012 National Quality Prize (PNQ). The PNQ is Brazil s most important award recognizing management quality: it encourages improvement in quality of management and increase of competitiveness among Brazilian organizations.

IR Magazine Brazil Awards

IR Magazine Brazil elected Cemig the company with the best investor relations in the energy and basic services category; and also the best conference call, and the best meeting with the investment analysts community.

The awards given at the event, coordinated by IR Magazine (*Revista RI*) and the Brazilian Investor Relations Institute (*Instituto Brasileiro de Relações com Investidores* IBRI) represent recognition of the commitment of Cemig s management to its stockholders, and the efficient and competent work of the whole of the Company s Investor Relations team.

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ICO2 The *Carbon Efficient Index*

Cemig was selected for the third time running for inclusion in Brazil s Carbon Efficient Index (the *Índice Carbono Eficiente,* or ICO2).

Developed by the BM&FBovespa and the BNDES, the ICO2 is an indicator based on portfolio of the IBrX 501 index, which weighs participating stocks by the relationship between companies gross revenue and greenhouse gas emissions, that is to say it their efficiency in carbon emissions.

Cemig s significant position in this index reflects its commitment to actions related to climate change which are expressed in its public commitment document 10 Initiatives for the Climate (*10 Iniciativas para o Clima*).

Cemig was also recognized by the Carbon Disclosure Project (CDP), a non-governmental organization that holds the world s largest corporate databank on climate change, as one of the 10 Brazilian companies with the best performance in taking effective action to mitigate the causes of climate change.

FINAL CONSIDERATIONS

The Management of Cemig is grateful to the Government of Minas Gerais State, the Company s majority stockholder, for the confidence and support it has shown in 2012. We also extend our thanks to the other federal, state and municipal authorities, the communities served by the Company, its stockholders and other investors and, especially, the dedication of its skilled and able body of employees.

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SOCIAL STATEMENT (CEMIG CONSOLIDATED)

1 - Basis of calculations	2012 Amount (R$ 000)	2011 Amount (R$ 000)
Net sales revenue (NR)	18,460,375	15,748,716
Operational profit (OP)	4,082,602	4,303,312
Gross payroll (GP)	1,218,975	1,131,846

2 - Internal social indicators	Amount R$ 000	% of GP	% of NR	Amount R$ 000	% of GP	% of NR
Food	73,217	6.01	0.4	70,032	6.19	0.44
Mandatory charges and payments based on payroll	276,948	22.72	1.5	278,467	24.6	1.77
Private pension plan	71,554	5.87	0.39	67,393	5.95	0.43
Health	43,185	3.54	0.23	43,849	3.87	0.28
Safety and medicine in the workplace	10,831	0.89	0.06	10,786	0.95	0.07
Education	1,691	0.14	0.01	2,182	0.19	0.01
Culture	76	0.01		88	0.01	
Training and professional development	26,501	2.17	0.14	26,200	2.31	0.17
Provision of or assistance for day-care centers	2,036	0.17	0.01	1,854	0.16	0.01
Profit sharing	243,655	19.99	1.32	218,156	19.27	1.39
Others	17,443	1.43	0.09	16,539	1.46	0.11
Internal social indicators Total	**767,137**	**62.93**	**4.15**	**735,546**	**64.96**	**4.68**

3 - External social indicators	Amount R$ 000	% of OP	% of NR	Amount R$ 000	% of OP	% of NR
Education	1,200	0.03	0.01	1,024	0.02	0.01
Culture	20,275	0.53	0.11	15,273	0.35	0.10
Other donations/subsidies / ASIN project / Sport	57,730	1.51	0.31	84,600	1.97	0.54
Total contributions to society	**79,205**	**2.07**	**0.43**	**100,897**	**2.34**	**0.65**
Taxes (excluding obligatory payroll-related amounts)	8,681,608	227.19	47.03	8,058,517	187.23	51.17
External social indicators Total	**8,760,813**	**229.26**	**47.46**	**8,159,414**	**189.57**	**51.82**

4 - Environmental indicators	Amount R$ 000	% of OP	% of NR	Amount R$ 000	% of OP	% of NR
Capital expenditure related to company operations	163,177	4.27	0.88	116,532	2.71	0.74
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 51 75% of targets ( ) meets 76 100% of targets		(X) has no targets ( ) meets 0 50% of targets	( ) meets 51 75% of targets ( ) meets 76 100% of targets	

5 - Workforce indicators	2012	2011
Number of employees at end of period	8.368	8.706
Number of hirings during period	4	7
Number of outsourced employees	NA	NA
Number of interns	505	344
Number of employees over 45 years old	3,928	3,887
Number of women employed	1,089	1,131

% of supervisory positions held by women	12.2	12.6
Number of African-Brazilian employees	2,628	2,752
% of supervisory positions held by African-Brazilians	13.64	13.77
Number of employees with disabilities	41	47

6 - Corporate citizenship		**2012**			**2013 targets**	
Ratio of highest to lowest compensation		21.05			NA	
Total number of work accidents		63 Own employees			NA	
Who selects the social and environmental projects developed by the company?	( ) senior management	(X) senior management and line managers	( ) all the employees	( ) senior management	(X) senior management and line managers	( ) all the employees
Who decides the company s work environment health and safety standards?	( ) senior management and line managers	(X) all the employees	( ) All teams + CIP A*	( ) senior management and line managers	(X) all the employees	( ) All teams + CIP A*
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 line managers	(X) all the employees	( ) senior management	( ) senior management and line managers	(X) all the employees
The profit-sharing program covers:	( ) senior management	( ) senior management and line managers	(X) all the employees	( ) senior management	( ) senior management and line 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	At Procon	In Court	In the company	At Procon	In Court
	NA	NA	NA	NA	NA	NA
% of complaints and criticisms met or solved:	In the company	At Procon	In Court	In the company	At Procon	In Court
	NA	NA	NA	NA	NA	NA
Total added value distributable (R$ 000)	In 2012:			In 2011:	14,383,065	
Distribution of added value (DVA)	51.93% government 24.31% stockholders 9.92% employees 12.56% others 1.28% retained			56.72% government 16.32% stockholders 10.95% employees 15.15% others 0.86% retained		
Other information:		(*) CIPA = Internal Accident Prevention Committee.				

I In 2012, Cemig invested a total of R$ 151.9 million in the environment: R$ 91 million in putting new projects in place; and R$ 60.9 million in environmental management including R$ 6.63 million in environment-related research projects. A total of R$ 11.225 million was invested in Consortia in which Cemig participates. New projects in which environmental investment was made include the Paracambi and Guanhães Small Hydro Plants, and the Santo Antônio and Belo Monte hydroelectric complexes.

II The quality of water of Cemig s principal reservoirs is monitored regularly, in a network covering eight river basins of Minas Gerais (the Grande, Paranaíba, Pardo, São Francisco, Doce, Paraíba do Sul, Itabapoana and Jequitinhonha rivers), comprising a total of 43 reservoirs and 250 stations collecting physical, chemical and biological data.

III In 2012 Cemig dealt with 26,800 tons of waste: 26,300 tons were sold or recycled, 459 tons were co-processed or incinerated and six tons were disposed of in industrial landfill. Among these amounts: 115 tons of insulating mineral oil not appropriate for use were sold, and 364 tons of oil-impregnated waste and 17 tons of IPE were co-processed. The total also breaks down into 1,200 tons of hazardous wastes, and 25,600 tons of non-hazardous wastes.

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MEMBERS OF BOARDS

BOARD OF DIRECTORS

[redacted]

EXECUTIVE BOARD

NAME	POSITION
Djalma Bastos de Morais	CEO
Arlindo Porto Neto	Deputy CEO
Fernando Henrique Schüffner Neto	Chief Business Development Officer
Frederico Pacheco de Medeiros	Chief Corporate Management Officer
José Carlos de Mattos	Chief Officer for the Gas Division
Ricardo José Charbel	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

Investor Relations Office:

Tel.: (31) 3506-5024 3506-5028

Fax: (31) 3506-5025 3506-5026

Web: www.cemig.com.br

E-Mail: ri@cemig.com.br

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STATEMENTS OF FINANCIAL POSITION

AT DECEMBER 31, 2012 AND 2011, AND JANUARY 1, 2011

ASSETS

R$ 000

	Note	Consolidated 2012	Consolidated 2011 (Reclassified)	Consolidated Jan. 1, 2011 (Reclassified)	Holding company 2012	Holding company 2011 (Reclassified)	Holding company Jan. 1, 2011 (Reclassified)
CURRENT							
Cash and cash equivalents	6	2,485,810	2,862,490	2,979,693	1,057,122	226,695	302,741
Securities Cash investments	7	1,557,804	358,987	321,858	27,363	180,000	55
Consumers and traders	8	2,346,520	2,549,546	2,262,585			
Concession holders Transport of electricity		505,456	427,060	400,556			
Financial assets of the concession	13	1,040,720	1,120,035	625,332			
Recoverable taxes	9	360,064	354,126	374,430	62,100	72,570	5,233
Income tax and Social Contribution tax recoverable	10 a	263,392	220,760	489,813			
Traders Transactions in Free Energy		20,755	22,080	29,959			
Dividends receivable					511,043	195,196	230,405
Linked funds		132,495	3,386	14,241	233	99	190
Inventories		68,092	54,430	41,080	12	15	16
Provision for gains on financial instruments	28	31,734					
Accounts receivable from Minas Gerais state government	12	2,422,099			2,422,099		
Other credits		755,138	558,749	546,029	12,522	8,702	13,699
TOTAL, CURRENT		**11,990,079**	**8,531,649**	**8,085,576**	**4,092,494**	**683,277**	**552,339**
NON-CURRENT							
Securities Cash investments	7	161,750			7,627		
Accounts receivable from Minas Gerais state government	12		1,830,075	1,837,088			
Receivables Investment Fund	12					1,010,079	946,571
Deferred income tax and Social Contribution tax	10 b	1,451,794	1,235,869	1,218,126	357,354	424,449	345,472
Recoverable taxes	9	445,293	327,949	139,883	4,757	4,334	426
Income tax and Social Contribution tax recoverable	10 a	34,348	23,605	83,438	27,911	19,548	80,117
Escrow deposits in litigation	11	1,420,275	1,387,711	1,027,206	270,702	275,720	195,517
Consumers and traders	8	315,288	158,770	95,707			
Concession holders Transport of electricity		10,440	11,931				
Other credits		267,590	172,436	138,413	39,788	50,695	31,737
Financial assets of the concession	13	11,166,495	9,086,251	7,671,836			
Investments	14	225,599	176,740		12,253,148	11,994,523	11,313,969
Property, plant and equipment	15	8,810,529	8,661,791	8,228,513	1,584	1,723	2,066

Intangible assets	16	4,473,481	5,404,106	4,948,177	981	657	838
TOTAL, NON-CURRENT		**28,782,882**	**28,477,234**	**25,388,387**	**12,963,852**	**13,781,728**	**12,916,713**
TOTAL ASSETS		**40,772,961**	**37,008,883**	**33,473,963**	**17,056,346**	**14,465,005**	**13,469,052**

The Explanatory Notes are an integral part of the Financial Statements.

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STATEMENTS OF FINANCIAL POSITION

AT DECEMBER 31, 2012 AND 2011, AND JANUARY 1, 2011

LIABILITIES

R$ 000

		Consolidated			Holding company		
	Note	**2012**	**2011 (Reclassified)**	**Jan 1, 2011 (Reclassified)**	**2012**	**2011 (Reclassified)**	**Jan 1, 2011 (Reclassified)**
Suppliers	17	1,735,462	1,189,848	1,121,009	12,338	12,059	1,687
Regulatory charges	20	412,840	368,229	384,415			
Profit shares		86,256	89,512	116,183	7,776	9,357	5,129
Taxes	18a	569,008	516,553	403,533	60,119	35,740	32,836
Income tax and Social Contribution tax	18b	127,187	129,384	137,035			
Interest on Equity, and dividends, payable		3,478,810	1,243,086	1,153,895	3,478,810	1,243,086	1,153,895
Loans and financings	19	5,158,989	4,354,518	1,546,228	1,102,721	1,011,830	373,599
Debentures	19	1,947,317	3,466,542	656,338			
Payroll and related charges		260,047	271,891	243,258	11,169	12,987	12,478
Post-retirement liabilities	21	88,932	100,591	99,220	2,520	3,706	3,703
Provision for losses on financial instruments	28		23,501	69,271			
Debt to related parties					11,132	8,646	6,687
Concessions payable		18,002	7,990				
Other obligations		424,522	407,701	472,973	15,147	15,137	14,655
TOTAL, CURRENT		**14,307,372**	**12,169,346**	**6,403,358**	**4,701,732**	**2,352,548**	**1,604,669**
NON-CURRENT							
Regulatory charges	20	169,632	262,202	142,481			
Loans and financings	19	4,125,587	5,254,776	6,113,759		18,397	36,794
Debentures	19	4,938,417	2,703,233	4,910,165			
Taxes	18a	1,003,301	897,087	692,803			
Income tax and Social Contribution tax	10b	947,870	885,160	983,528			
Provisions	22	468,186	549,439	370,907	146,089	185,952	187,553
Concessions payable		191,815	129,696	117,802			
Post-retirement liabilities	21	2,229,081	2,186,568	2,061,608	101,965	96,245	92,349
Provision for losses on financial instruments	28	1,319					
Other obligations		346,319	226,428	201,419	62,498	66,915	71,554
TOTAL, NON-CURRENT		**14,421,527**	**13,094,589**	**15,594,472**	**310,552**	**367,509**	**388,250**
TOTAL LIABILITIES		**28,728,899**	**25,263,935**	**21,997,830**	**5,012,284**	**2,720,057**	**1,992,919**
STOCKHOLDERS EQUITY	23						
Share capital		4,265,091	3,412,073	3,412,073	4,265,091	3,412,073	3,412,073
Capital reserves		3,953,850	3,953,850	3,953,850	3,953,850	3,953,850	3,953,850
Profit reserves		2,856,176	3,292,871	2,873,253	2,856,176	3,292,871	2,873,253
		968,945	1,086,154	1,209,833	968,945	1,086,154	1,209,833

Adjustments to Stockholders equity						
Funds allocated to increase of capital			27,124			27,124
TOTAL OF STOCKHOLDERS EQUITY	**12,044,062**	**11,744,948**	**11,476,133**	**12,044,062**	**11,744,948**	**11,476,133**
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**40,772,961**	**37,008,883**	**33,473,963**	**17,056,346**	**14,465,005**	**13,469,052**

The Explanatory Notes are an integral part of the Financial Statements.

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PROFIT AND LOSS ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

R$ 000 (except Net profit per share)

		Consolidated		Holding company	
	Note	2012	2011 Reclassified	2012	2011 Reclassified
REVENUE	**24**	**18,460,375**	**15,748,716**	**334**	**347**
OPERATIONAL COSTS					
COST OF ELECTRICITY AND GAS	**25**				
Electricity bought for resale		(5,951,272)	(4,277,980)		
Charges for the use of the national grid		(1,010,596)	(830,024)		
Gas purchased for resale		(495,114)	(329,105)		
		(7,456,982)	(5,437,109)		
COST	**25**				
Personnel and managers		(1,025,703)	(933,954)		
Materials		(67,522)	(72,801)		
Outsourced services		(831,760)	(739,674)		
Depreciation and amortization		(948,546)	(910,319)		
Operational provisions		(36,064)	(70,598)		
Royalties for use of water resources		(186,384)	(153,979)		
Infrastructure construction cost		(1,630,194)	(1,529,269)		
Other		(200,378)	(152,463)		
		(4,926,551)	(4,563,057)		
TOTAL COST		**(12,383,533)**	**(10,000,166)**		
GROSS PROFIT		**6,076,842**	**5,748,550**	**334**	**347**
OPERATIONAL EXPENSES	**25**				
Selling expenses		(348,071)	(189,820)		
General and administrative (expenses) / reversals		(1,280,470)	(840,961)	(496,475)	(68,915)
Other operational expenses		(626,920)	(413,713)	(22,771)	(23,423)
		(2,255,461)	(1,444,494)	(519,246)	(92,338)
Equity gain (loss) in subsidiaries		(3,272)	(744)	2,638,623	2,466,638
Gain on dilution of interest in jointly-controlled subsidiaries		264,493			
Profit before Financial revenue (expenses) and taxes		**4,082,602**	**4,303,312**	**2,119,711**	**2,374,647**
Financial revenues	26	3,210,239	994,995	2,476,610	173,469
Financial expenses	26	(1,957,915)	(1,965,266)	(137,282)	(113,891)
Profit before taxes		**5,334,926**	**3,333,041**	**4,459,039**	**2,434,225**

Income tax and Social Contribution tax	10c	(1,504,093)	(1,111,451)	(119,019)	(143,287)
Deferred income tax and Social Contribution tax	10c	440,852	193,860	(68,335)	124,512
NET PROFIT FOR THE YEAR		**4,271,685**	**2,415,450**	**4,271,685**	**2,415,450**
Basic and diluted profit per preferred share	**23**	**5.01**	**2.83**	**5.01**	**2.83**
Basic and diluted profit per common share	**23**	**5.01**	**2.83**	**5.01**	**2.83**

The Explanatory Notes are an integral part of the Financial Statements.

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

R$ 000

	Consolidated		Holding company	
	2012	**2011**	**2012**	**2011 Reclassified**
NET PROFIT FOR THE YEAR	**4,271,685**	**2,415,450**	**4,271,685**	**2,415,450**
OTHER COMPREHENSIVE INCOME				
Foreign exchange conversion differences on transactions outside Brazil	4,671	6,126		
Equity gain on Other comprehensive income in Subsidiary and Jointly-controlled subsidiary			3,721	5,300
Cash flow hedge instruments	(1,439)	(1,252)		
Deferred income tax and Social Contribution tax	489	426		
	(950)	(826)		
COMPREHENSIVE INCOME FOR THE YEAR	**4,275,406**	**2,420,750**	**4,275,406**	**2,420,750**

The Explanatory Notes are an integral part of the Financial Statements.

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STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY CONSOLIDATED

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

R$ 000

	Share capital	Capital reserves	Profit reserves	Valuation adjustment to Stockholders equity	Retained earnings (loss)	Funds allocated to increase of capital	Total of Stockholders equity
BALANCE ON JANUARY 1, 2011	**3,412,073**	**3,953,850**	**2,873,253**	**1,209,833**		**27,124**	**11,476,133**
Net profit for the year					2,415,450		2,415,450
Other comprehensive income:							
Foreign exchange conversion differences on transactions outside Brazil				6,126			6,126
Cash flow hedge instruments				(826)			(826)
Total comprehensive income for the year				**5,300**			**5,300**
Transactions with stockholders recorded directly in Stockholders 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 dividend for 2010 paid in 2011 (R$ 0.10 per share)			(67,086)				(67,086)
Proposed additional dividend for 2011 (R$ 0.13 per share)			86,316		(86,316)		
Other changes in Stockholders equity							
Return of funds received for capital increase						(27,124)	(27,124)
Constitution of Reserves							
Legal reserve			109,210		(109,210)		
Profits reserve			1,141,178		(1,141,178)		

Realization of reserves						
Adjustments to Stockholders equity cost attributed to PP&E				(128,979)	128,979	
BALANCES ON DECEMBER 31, 2011	**3,412,073**	**3,953,850**	**3,292,871**	**1,086,154**		**11,744,948**
Net profit for the year					4,271,685	4,271,685
Other comprehensive income:						
Foreign exchange conversion differences on transactions outside Brazil				4,671		4,671
Cash flow hedge instruments				(950)		(950)
Total comprehensive income for the year				**3,721**	**4,271,685**	**4,275,406**
Increase in registered capital	853,018		(853,018)			
Transactions with stockholders recorded directly in Stockholders equity						
Ordinary dividends						
Ordinary dividends (R$ 0.62 per share)					(589,976)	(589,976)
Interest on Equity (R$ 1.99 per share)					(1,700,000)	(1,700,000)
Extraordinary dividends (R$ 1.88 per share)			(1,600,000)			(1,600,000)
Proposed additional dividend for 2011 (R$ 0.11 per share)			(86,316)			(86,316)
Proposed additional dividend for 2012 (R$ 0.74 per share)			628,131		(628,131)	
Other changes in Stockholders equity						
Constitution of Reserves						
Legal reserve			170,603		(170,603)	
Retention of profits			1,303,905		(1,303,905)	
Realization of reserves						
Adjustments to Stockholders equity cost attributed to PP&E				(120,930)	120,930	
BALANCES ON DECEMBER 31, 2012	**4,265,091**	**3,953,850**	**2,856,176**	**968,945**		**12,044,062**

The Consolidated statements of changes in stockholders equity substantially reflect the changes in stockholders equity of the Holding company.

The Explanatory Notes are an integral part of the Financial Statements.

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

R$ 000

	Consolidated		Holding company	
	2012	2011 Reclassified	2012	2011 Reclassified
CASH FLOW FROM OPERATIONS				
Net profit for the year	4,271,685	2,415,450	4,271,685	2,415,450
Expenses (revenues) not affecting cash and cash equivalents				
Income tax and Social Contribution tax	1,063,241	917,591	187,354	18,775
Depreciation and amortization	1,000,556	982,669	330	370
Net write-offs of PP&E and intangible assets	128,084	21,434		183
Equity gain (loss) in subsidiaries	3,272	744	(2,638,623)	(2,466,638)
Interest and monetary updating	(2,074,790)	545,600	(2,364,983)	(99,876)
Gain on dilution of interest in jointly-controlled subsidiaries	(264,493)			
Monetary updating of the FIDC				(63,508)
Provisions for operational losses	638,840	342,161	363,299	(1,892)
Post-retirement liabilities	264,031	286,578	14,710	13,671
Others		85,520		(29)
	5,030,426	5,597,747	(166,228)	(183,494)
(Increase) / decrease in assets				
Consumers and traders	(354,457)	(540,157)		
Recoverable taxes	(131,639)	(167,761)	10,047	34,859
Income tax and Social Contribution tax recoverable	133,929	101,276	45,588	(196,865)
Escrow deposits in legal actions	(34,265)	(225,658)	5,018	54,643
Dividends received from subsidiaries			2,133,748	2,285,883
Financial assets	812,046	659,702		
Other	(446,238)	119,943	13,972	(35,692)
	(20,624)	(52,655)	2,208,373	2,142,828
Increase (reduction) in liabilities				
Suppliers	548,622	68,839	279	10,372
Taxes	195,987	402,459	(94,640)	44,508
Payroll and related charges	(13,359)	28,633	(3,399)	509
Regulatory charges	(41,511)	103,535		
Post-retirement liabilities	(233,177)	(160,247)	(10,176)	(9,772)
Others	224,812	(122,296)	(1,921)	2,321
	681,374	320,923	(109,857)	47,938
Cash from operational activities	5,691,176	5,866,015	1,932,288	2,007,272
Interest on loans and financings	(1,208,844)	(1,082,453)	(100,800)	(32,665)
Income tax and Social Contribution tax paid	(1,367,874)	(885,373)		(41,604)
NET CASH FROM OPERATIONAL ACTIVITIES	3,114,458	3,898,189	1,831,488	1,933,003

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	Consolidated		Holding company	
	2012	2011 Reclassified	2012	2011 Reclassified
CASH FLOWS FROM INVESTMENT ACTIVITIES				
In short-term investments	(1,360,567)	(37,129)	145,010	(179,945)
In financial assets	(160,256)	(1,025,894)		
Redemption of the CRC Account	1,497,570		1,355,715	
Injection of cash into FIDC Fund			(750,519)	
Net cash received on dilution in jointly-controlled subsidiary	667,891			
Acquisition of jointly-controlled subsidiary, net of cash acquired	(361,147)			
Investments	(115,633)	(177,484)	(65,876)	(411,012)
In PP&E	(598,123)	(924,223)	(31)	
In intangible assets	(1,670,219)	(1,851,993)	(484)	
NET CASH USED IN (FROM) INVESTMENT ACTIVITIES	(2,100,484)	(4,016,723)	683,815	(590,957)
CASH FLOW IN FINANCING ACTIVITIES				
Loans, financings and debentures	7,195,242	4,255,451	1,081,105	1,000,000
Payment of loans, financings and debentures	(6,838,312)	(2,218,500)	(1,018,397)	(368,397)
Injection of cash into FIDC Fund				(14,075)
Interest on Equity, and dividends	(1,747,584)	(2,035,620)	(1,747,584)	(2,035,620)
NET CASH USED IN (FROM) FINANCING ACTIVITIES	(1,390,654)	1,331	(1,684,876)	(1,418,092)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(376,680)**	**(117,203)**	**830,427**	**(76,046)**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS				
Beginning of the year	2,862,490	2,979,693	226,695	302,741
End of the year	2,485,810	2,862,490	1,057,122	226,695
	(376,680)	**(117,203)**	**830,427**	**(76,046)**

The Explanatory Notes are an integral part of the Financial Statements.

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STATEMENTS OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

R$ 000

	Consolidated		Holding company	
	2012	2011 Reclassified	2012	2001 Reclassified
REVENUE				
Sales of electricity, gas and services	24,447,369	21,227,039	334	347
Distribution construction revenue	1,445,840	1,412,407		
Generation construction revenue	160,257	120,170		
Gas construction revenue	24,856	6,550		
Investments in property, plant and equipment	431,379	538,873		
Allowance for doubtful receivables	(315,201)	(163,629)		
	26,194,500	23,141,410	334	347
INPUTS ACQUIRED FROM THIRD PARTIES				
Electricity bought for resale	(6,359,153)	(4,600,354)		
Charges for use of the national grid	(1,117,627)	(923,484)		
Outsourced services	(2,020,030)	(2,039,157)	(22,451)	(12,962)
Gas purchased for resale	(495,114)	(329,105)		
Materials	(969,401)	(853,809)	(182)	(222)
Operational provisions	(466,605)	(93,982)	(400,613)	1,892
Other operational costs	(589,149)	(302,406)	(37,931)	(19,153)
	(12,017,079)	(9,142,297)	(461,177)	(30,445)
GROSS VALUE ADDED	**14,177,421**	**13,999,113**	**(460,843)**	**(30,098)**
RETENTIONS				
Depreciation and amortization	(1,000,556)	(973,732)	(330)	(370)
NET ADDED VALUE PRODUCED BY THE COMPANY	**13,176,865**	**13,025,381**	**(461,173)**	**(30,468)**
ADDED VALUE RECEIVED BY TRANSFER				
	264,493			

Gain on dilution of interest in jointly-controlled subsidiaries								
Equity gain (loss) in subsidiaries	(3,272)		(744)		2,638,623		2,466,638	
Financial revenues	3,251,864		1,037,343		2,518,276		215,425	
	3,513,085		1,036,599		5,156,899		2,682,063	
ADDED VALUE TO BE DISTRIBUTED	**16,689,950**		**14,061,980**		**4,695,726**		**2,651,595**	
DISTRIBUTION OF ADDED VALUE		**%**		**%**		**%**		**%**
Employees	**1,656,256**	**9.92**	**1,540,085**	**10.95**	**45,110**	**0.97**	**51,274**	**1.93**
Direct remuneration	1,206,615	7.23	1,109,400	7.89	21,855	0.47	26,173	0.99
Benefits	352,280	2.11	349,791	2.49	19,067	0.41	18,069	0.68
FGTS Fund	64,197	0.38	60,620	0.43	3,318	0.07	3,251	0.12
Other	33,164	0.20	20,274	0.14	870	0.02	3,781	0.14
Taxes	**8,666,467**	**51.93**	**7,976,286**	**56.72**	**240,668**	**5.12**	**70,005**	**2.64**
Federal	4,699,287	28.16	4,358,802	31.00	240,459	5.12	69,892	2.64
State	3,956,598	23.71	3,609,622	25.67	174		58	
Municipal	10,582	0.06	7,862	0.05	35		55	
Remuneration of external capital	**2,095,542**	**12.56**	**2,130,160**	**15.15**	**138,263**	**2.94**	**114,867**	**4.34**
Interest	1,983,939	11.89	2,035,702	14.48	137,281	2.92	113,891	4.30
Rentals	111,603	0.67	94,458	0.67	982	0.02	976	0.04
Remuneration of own capital	**4,271,685**	**25.59**	**2,415,449**	**17.18**	**4,271,685**	**90.97**	**2,415,449**	**91.09**
Interest on Equity, and dividends	2,918,107	17.48	2,294,677	16.32	2,289,976	48.77	2,294,677	86.54
Retained earnings	1,353,578	8.11	120,772	0.86	1,981,709	42.20	120,772	4.55
	16,689,950	**100.00**	**14,061,980**	**100.00**	**4,695,726**	**100.00**	**2,651,595**	**100.00**

The Explanatory Notes are an integral part of the Financial Statements.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ON DECEMBER 31, 2012, DECEMBER 31, 2011 AND JANUARY 1, 2011

(Figures in R$ 000, except where otherwise indicated)

1. OPERATIONAL CONTEXT

a) The Company

Companhia Energética de Minas Gerais (Cemig or the Company) is a listed corporation registered in the Brazilian Registry of Corporate Taxpayers (CNPJ) under number 17.155.730/0001-64, with shares traded at Corporate Governance Level 1 on the BM&F Bovespa (Bovespa), through ADRs on the New York Stock Exchange (NYSE), and on the stock exchange of Madrid (Latibex). It is domiciled in Brazil, with head office at Avenida Barbacena 1200, Belo Horizonte, Minas Gerais. It operates exclusively as a holding company, with stockholdings in companies controlled individually or jointly, the principal objectives of which are the construction and operation of systems for generation, transformation, transmission, distribution and sale of electricity, and also activities in the various fields of energy, for the purpose of commercial operation.

On December 31, 2012, Cemig s consolidated current liabilities exceeded its consolidated current assets by R$ 2,317,293. This excess was primarily due to the transfers to consolidated Current liabilities of loans and financings, due to non-compliance with restrictive covenants in the contracts of Cemig D (Distribution) and as a result of the flow of payments on the existing contracts, added to the funding raised due to the increase in the average price of electricity brought for resale caused by the higher dispatching of thermal plants. In relation to the restrictive covenants it should be pointed out that the Company is in the process of obtaining the waivers from the creditors so that immediate or early payment is not demanded of the amounts payable at December 31, 2012, and has the expectation of obtaining these consents in 2013, at which moment the subsidiary will reclassify those balances to Non-current liabilities.

Management monitors the Company s cash flow, and is assessing measures to adjust its present situation to the levels considered appropriate to meet its needs, including renegotiations of financings or new transactions to raise funds in the market. As an example, we draw attention to the Third Issue of Non-convertible debentures by Cemig D, on February 15, 2013, in the amount of R$ 2,160 million, which funds were allocated to redemption in full of the commercial promissory notes of Cemig D s fifth and sixth issues.

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Cemig has stockholdings in the following companies that were operational on December 31, 2012:

• Cemig Geração e Transmissão S.A. (**Cemig GT** or Cemig Generation and Transmission) (Subsidiary) registered with the CVM (Brazilian Securities Commission): Generation and transmission of electricity, through 53 power plants 47 hydroelectric plants, 4 wind power plants and 2 thermal plants; and transmission lines, most of which are part of the Brazilian national generation and transmission grid system. Cemig GT has stockholdings in the following subsidiaries that are at development phase:

• Hidrelétrica Cachoeirão S.A. (Cachoeirão) (jointly controlled): Production and sale of electricity 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%, Neoenergia 51.00%), located on the Doce River in Governador Valadares, Minas Gerais State. The plant began operation of its units from September 2009 to May 2010.

• Transmissora Aliança de Energia Elétrica S.A. (**Taesa**) (jointly controlled): Construction, operation and maintenance of electricity transmission facilities in 11 states of Brazil. Taesa has the following subsidiaries: ETAU Empresa de Transmissão do Alto Uruguai S.A. (ETAU); Brasnorte Transmissora de Energia S.A. (Brasnorte); Abengoa Participações S.A.; União de Transmissoras de Energia Elétrica (Unisa); Nordeste Transmissora de Energia S.A (NTE);and Abengoa Participações Holding S.A. (Abengoa).

• Central Eólica Praias de Parajuru S.A. (Parajuru) (jointly controlled): Production and sale of electricity from the *Praias de Parajuru* wind farm at Beberibe, in the State of Ceará, Northern Brazil. The plant began operating in August 2009.

• Central Eólica Praias do Morgado S.A. (Morgado) (jointly controlled): Production and sale of electricity from the *Praias do Morgado* wind farm in the county of Acaraú in Ceará State. The plant began operating in May 2010.

• Central Eólica Volta do Rio S.A. (Volta do Rio) (jointly controlled): Production and sale of electricity from the *Volta do Rio* wind farm in the County of Acaraú in Ceará. The plant began operating in September 2010.

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• Hidrelétrica Pipoca S.A. (Pipoca) (jointly controlled): Independent production of electricity, through construction and commercial operation of the *Pipoca* PCH (Small Hydro Plant), located on the Manhuaçu River, in the Municipalities of Caratinga and Ipanema, in the State of Minas Gerais. This hydroelectric plant began operating in October 2010.

• Empresa Brasileira de Transmissão de Energia S.A. (EBTE) (jointly controlled): Holder of a public service electricity transmission concession for transmission lines in the state of Mato Grosso. Began operating in June 2011.

• Madeira Energia S.A. (Madeira) (jointly controlled): Construction and commercial operation of the *Santo Antônio* hydroelectric generation plant, through its subsidiary Santo Antônio Energia S.A. This plant is in the basin of the Madeira River, in the State of Rondônia, and began commercial operation in March 2012. For more details see Explanatory Note 14.

The jointly-controlled subsidiary Madeira Energia S.A. and its subsidiary are incurring establishment costs in the construction of the *Santo Antônio* Hydroelectric Plant. On December 31, 2012 the value of the fixed asset built with this expenditure totaled R$ 14,527,352. According to the financial forecasts prepared by its management, this will be fully offset by future revenues generated when the unit starts operating.

On December 31, 2012, the amount of the fixed asset proportion to the Company s interest in this indirectly held subsidiary was R$ 1,452,735. During this phase of development of the project, the jointly-held subsidiary Madeira Energia S.A. has reported successive losses in its operations, and on December 31, 2012 its current liabilities exceeded its current assets by R$ 1,166,329. The proportional effect in the Company is R$ 116,633. The Management of Madeira Energia S.A. has plans to resolve the situation of negative net working capital. As of this writing, Mesa depends on the financial support of its stockholders and/or on obtaining loans from third parties to continue operating.

• LightGer S.A. (LightGer) (jointly controlled): Independent power production through building and commercial operation of the hydroelectric potential referred to as the *Paracambi* Small Hydro Plant on the Ribeirão das Lages river in the county of Paracambi, in the State of Rio de Janeiro. The plant began operating in May 2012.

Subsidiaries and jointly-controlled subsidiaries of Cemig GT at development stage:

• Guanhães Energia S.A. (Guanhães Energia) (jointly controlled): Production and sale of electricity through construction and commercial operation of the following Small Hydro Plants in Minas Gerais state: *Dores de Guanhães*, *Senhora do Porto* and *Jacaré*, in the municipality of Dores de Guanhães; and *Fortuna II*, in the municipality of Virginópolis. First generation is scheduled for October 2013.

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• Cemig Baguari Energia S.A. (Cemig Baguari) (subsidiary) Production and sale of electricity as an independent power producer, in future projects.

• Amazônia Energia Participações S.A (Amazônia) (jointly-controlled): This is a special-purpose company created by Cemig GT and Light, for acquisition of an interest of 9.77% in Norte Energia S.A., the company holding the concession for the *Belo Monte* Hydroelectric Plant (UHE Belo Monte). Cemig GT owns 74.5% of Amazônia Energia, and Light owns 25.5%. The first rotor of *Belo Monte* is expected to begin operating in February 2015.

• Cemig Distribuição S.A. (Cemig D or Cemig Distribution) (100%-held subsidiary) registered with the CVM (Securities Commission): Distribution of electricity through distribution networks and lines in almost the whole of Minas Gerais State.

• Light S.A. (Light) (jointly controlled): Corporate objects are to hold direct or indirect interests in other companies and, directly or indirectly, to operate electricity 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): A listed company operating primarily in electricity distribution, in various municipalities of Rio de Janeiro State.

• Light Energia S.A. (Light Energia) (subsidiary): Listed company with the following principal objects: To study, plan, build, and commercially operate electricity generation, transmission and selling systems and related services. Owns equity interests in Central Eólica São Judas Tadeu Ltda., Central Eólica Fontainha Ltda., Guanhães Energia S.A. and Renova Energia S.A...

• Light Esco Prestação de Serviços Ltda. (Light Esco) (subsidiary): As well as its registered objects of purchase, sale, importation and exportation of electricity, Light Esco provides consultancy services in the electricity sector. Light Esco has a stockholding in EBL Companhia de Eficiência Energética S.A.

• Itaocara Energia Ltda. (Itaocara Energia) (Subsidiary): This company, whose principal objects are planning, construction, installation, and commercial operation of electricity generation plants, is still at development stage. It is a member of the Itaocara Hydro Plant Consortium for commercial operation of the *Itaocara* Hydroelectric Plant (51%). Cemig GT owns 49%.

• Lighter S.A. (LightGer): Company at development stage, formed to participate in auctions of concessions, authorizations and permissions in new plants. On December 24, 2008 LightGer obtained the installation license authorizing the start of works on the Paracambi Small Hydro Plant. It is jointly

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controlled by Light (51%) and Cemig GT (49%). The first generating unit is planned to start operating early in 2012.

• Light Soluções em Eletricidade Ltda. (Light Soluções): The name of this company was changed from Lighthidro under the bylaws dated January 27, 2011. Its main objects are provision of service to low-voltage clients including assembly, overhaul and maintenance of installations in general.

• Instituto Light para o Desenvolvimento Urbano e Social (the Light Institute) (subsidiary): Participation in social and cultural projects, and interest in economic and social development of cities.

• Lightcom Comercializadora de Energia S.A. (Lightcom) (subsidiary): Purchase, sale, importation and exportation of electricity and general consultancy in the free and regulated electricity markets.

• Axxiom Soluções Tecnológicas S.A. (Axxiom) (jointly-controlled): Unlisted company, providing technology and systems solutions for operational management of public service concession holders, including companies in electricity, gas, water, sewerage and other utilities. Jointly owned by Light (51%) and Cemig (49%).

• CR Zongshen E-Power Fabricadora de Veículos S.A. (E-Power): (jointly-controlled): An unlisted corporation, at pre-operational stage, with the principal object of manufacturing two-wheeled electric vehicles under the *Kasinski* brand name. Light S.A. and CR Zongshen Fabricadora de Veículos S.A., under the name Kasinski , are the Company s sole stockholders, respectively owning 20% and 80% of E-Power s nominal common shares.

• Amazônia Energia Participações S.A. (Amazônia Energia) (jointly-controlled): An unlisted corporation whose objects are to be a stockholder in Norte Energia S.A. (NESA), which holds the concession to operate the *Belo Monte* Hydroelectric Plant, on the Xingu River, in the State of Pará and to manage this interest. It is jointly-controlled by Light S.A. (with 25.5%) and Cemig GT (74.5%) Amazônia Energia holds 9.8% of the share capital of NESA, having significant influence in management, but without joint control.

• Sá Carvalho S.A. (Sá Carvalho) (subsidiary): Production and sale of electricity, as a public electricity 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 thermally generated electricity, through the Ipatinga thermal plant, located on the premises of Usiminas (Usinas Siderúrgicas de Minas Gerais S.A.).

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- Companhia de Gás de Minas Gerais (Gasmig) (Jointly controlled): Acquisition, transport and distribution of combustible gas or sub-products and derivatives, through concession for distribution of gas in the State of Minas Gerais.

- Cemig Telecomunicações S.A. Cemig Telecom (CemigTelecom) (previously named Infovias S.A.) (subsidiary): Provision and commercial operation of a specialized service in the area of telecommunications: an integrated multi-service network of fiber optic cables, coaxial cables, and electronic and associated equipment. CemigTelecom owns 49% of Ativas Data Center (Ativas) (a jointly-controlled subsidiary), which operates primarily in supply of IT and communications infrastructure services, including physical hosting and services for medium-sized and large corporations.

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

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

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

- Rosal Energia S.A. (Rosal) (subsidiary): Production and sale of electricity, as a public electricity 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. (ESCE) (previously named Central Hidrelétrica Pai Joaquim S.A.) (subsidiary) - Production and sale of electricity, as an independent power producer, in future projects.

- Cemig PCH S.A. (Cemig PCH) (subsidiary) - Production and sale of electricity 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 electricity as an independent producer, through the Amador Aguiar I and Amador Aguiar II hydroelectric power plants, built through a consortium with private-sector partners.

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- UTE Barreiro S.A. (Barreiro) (subsidiary): Production and sale of thermally generated electricity, as an independent producer, through the construction and operation of the UTE Barreiro thermal generation plant, located on the premises of Vallourec & Mannesmann Tubes, in the State of Minas Gerais;

- Cemig Trading S.A. (Cemig Trading) (subsidiary): Sale and intermediation of business transactions related to energy.

- Companhia Transleste de Transmissão (Transleste) (jointly controlled): Operation of the transmission line connecting the substation located in Montes Claros to the substation of the *Irapé* hydroelectric power plant.

- Companhia Transudeste de Transmissão (Transudeste) (jointly controlled): Construction, operation and maintenance of national grid transmission lines and facilities 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 the electricity transmission concession for a transmission line in the State of Pará. ETEP constituted the subsidiary Empresa Santos Dumont de Energia S.A. (ESDE), in which it holds 100%.

- Empresa Norte de Transmissão de Energia S.A. (ENTE) (jointly controlled): Holder of the public electricity transmission service concession for two transmission lines in the States of Pará and Maranhão.

- Empresa Regional de Transmissão de Energia S.A. (ERTE) (jointly controlled): Holder of the public electricity transmission service concession for a transmission line in the State of Pará.

- Empresa Amazonense de Transmissão de Energia S.A. (EATE) (Jointly controlled): Holder of the public service electricity transmission concession, for the transmission lines between the sectionalizing substations of *Tucuruí, Marabá, Imperatriz, Presidente Dutra* and *Açailândia*. EATE has holdings 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 a public electricity transmission service concession for transmission lines in the State of Santa Catarina;

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- Axxiom Soluções Tecnológicas S.A. (Axxiom) (jointly controlled): Unlisted company, providing technology and systems solutions for operational management of public service concession holders, including companies in electricity, gas, water, sewerage and other utilities. Jointly owned by Light (51%) and Cemig (49%);

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

- Companhia de Transmissão Centroeste de Minas (Centroeste) (jointly controlled): Construction, operation and maintenance of *the Furnas-Pimenta* transmission line part of the national grid. The transmission line started operating in April 2010.

- Parati S.A. Participações em Ativos de Energia Elétrica (Parati) (jointly-controlled subsidiary): Holding company owning interests in other companies, Brazilian or foreign, through shares or share units, in any business activity. Parati holds an equity interest of 6.42% in Light.

- Cemig Serviços S.A. (Cemig Serviços) (subsidiary): Provision of services related to planning, construction, operation and maintenance of electricity generation, transmission and distribution systems, and provision of administrative, commercial and engineering services in the various fields of energy, from any source

Where Cemig exercises joint control it does so through stockholders agreements with the other stockholders of the investee company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the holding company have been prepared in accordance with accounting practices adopted in Brazil (BRGAAP), which comprise: the Corporate Law, which incorporates the provisions of Laws 11638/07 and 11941/09; the Pronouncements, Orientations and Interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC); and the rules of the Brazilian Securities Commission (CVM). These practices differ from the IFRS applicable to the separate Financial Statements in the matter of valuation of the investments in subsidiaries and jointly-controlled subsidiaries by the equity method, under BRGAAP, but at cost or fair value under IFRS.

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

However, there is no difference in the totals for Stockholders equity and Net profit between the consolidated financial statements and the parent company financial statements. Thus, the consolidated financial statements of the Company and the individual financial statements of the holding company are presented here side-by-side in a single group of financial statements.

On April 16, 2013, the Company s Executive Board authorized conclusion of the Financial Statements for the year ended December 31, 2012.

2.2 Basis of measurement

The individual and consolidated financial statements have been prepared based on historic cost, with the exception of the following material items recorded in the Statement of financial position (balance sheet):

- Financial instruments and derivative financial instruments measured at fair value.
- Non-derivative financial assets measured at fair value through profit or loss.
- Financial assets held for trading measured at fair value.
- Financial assets of the Concession measured by the New Replacement Value (VNR), equivalent to fair value.

2.3 Functional currency and currency of presentation

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

2.4 Use of estimates and judgments

The preparation of the individual and consolidated financial statements, under IFRS and the rules of the CPC, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in assets, liabilities, revenues and expenses. Future reported results may differ from these estimates.

Estimates and assumptions are revised continually, using as a reference both historic experience and also any significant changes of scenario that could affect the equity situation of the company or its results in the applicable items. Revisions in relation to accounting estimates are recognized in the period in which the estimates are reviewed, and in any future periods affected.

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The principal estimates related to the financial statements refer to recording of effects arising from:

- Allowance for doubtful accounts see Note 8;
- Deferred income tax and Social Contribution tax see Note 10;
- Financial assets of the Concession see Note 13;
- Intangible assets see Note 16;
- Depreciation see Note 15;
- Amortization see Note 16;
- Employee post-retirement benefits see Note 21;
- Provisions see Note 22 ;
- Unbilled electricity supplied see Note 24; and
- Measurement of Fair Value and Derivative Financial Instruments see Note 29.

2.5 Reclassification of accounting balances of Jan. 1, 2011 and Dec. 31, 2011

Certain balances in the financial statements for the business year ended December 31, 2011, originally issued on March 26, 2012, although not material in scale, are being reclassified for the purposes of comparison with the financial statements for the year ended December 31, 2012. In this case the Company made an error that was not material and was not intentional. Although the adjustments are not material in scale, individually or jointly, the Company decided to adjust the comparative balances of 2011 for the presentation of the financial statements for 2012, with the objective of maintaining the optimum comparison of the balances.

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Below is a summary of the financial statements which had non-material reclassifications, to provide optimum comprehension of the effects:

Jan 1, 2011		Consolidated			Holding company		
Statement of financial position	**Note**	**Published**	**Reclassifications**	**Reclassified**	**Published**	**Reclassifications**	**Reclassified**
Assets							
Current							
Linked funds	h		14,241	14,241		190	190
Other credits	h	560,270	(14,241)	546,029	13,889	(190)	13,699
Total, current assets		**8,085,576**		**8,085,576**	**552,339**		**552,339**
Assets							
Non-current							
Deferred income tax and Social Contribution tax	a; b	1,800,567	(582,441)	1,218,126			
Financial assets of the concession	b	7,315,756	356,080	7,671,836			
Intangible assets	b	4,803,687	144,490	4,948,177			
Total, non-current assets		**25,470,258**	**(81,871)**	**25,388,387**	**12,916,713**		**12,916,713**
Total assets		**33,555,834**	**(81,871)**	**33,473,963**	**13,469,052**		**13,469,052**
Liabilities							
Current							
Loans and financings	h	1,573,885	(27,657)	1,546,228			
Debentures	h	628,681	27,657	656,338			
Total, current liabilities		**6,403,358**		**6,403,358**	**1,604,669**		**1,604,669**
Liabilities							
Non-current							
Loans and financings	h	6,244,475	(130,716)	6,113,759			
Debentures	h	4,779,449	130,716	4,910,165			
Income tax and Social Contribution tax	a	1,065,399	(81,871)	983,528			
Total, non-current liabilities		**15,676,343**	**(81,871)**	**15,594,472**	**11,476,133**		**11,476,133**
Total liabilities		**22,079,701**	**(81,871)**	**21,997,830**	**2,720,057**		**2,720,057**
Total liabilities and stockholders equity		**33,555,834**	**(81,871)**	**33,473,963**	**13,469,052**		**13,469,052**

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2011 Statement of financial position	Note	Consolidated Published	Consolidated Reclassifications	Consolidated Reclassified	Holding company Published	Holding company Reclassifications	Holding company Reclassified
Assets							
Current							
Linked funds	h		3,386	3,386		99	99
Other credits	h	562,135	(3,386)	558,749	8,801	(99)	8,702
Total, current assets		**8,531,649**		**8,531,649**	**683,277**		**683,277**
Assets							
Non-current							
Deferred income tax and Social Contribution tax	a; b	2,036,086	(800,217)	1,235,869			
Financial assets of the concession	b	8,777,822	308,429	9,086,251			
Intangible assets	b	5,261,181	142,925	5,404,106			
Concession holders Transport of electricity	h		11,931	11,931			
Other credits	h	184,367	(11,931)	172,436			
Total, non-current assets		**28,826,097**	**(348,863)**	**28,477,234**	**13,781,728**		**13,781,728**
Total assets		**37,357,746**	**(348,863)**	**37,008,883**	**14,465,005**		**14,465,005**
Liabilities							
Current							
Loans and financings	h	4,382,069	(27,551)	4,354,518			
Debentures	h	3,438,991	27,551	3,466,542			
Provision for losses on financial instruments	h	25,143	(1,642)	23,501			
Concessions payable	h		7,990	7,990			
Other obligations	h	414,049	(6,348)	407,701			
Total, current liabilities		**12,169,346**		**12,169,346**	**2,352,548**		**2,352,548**
Liabilities							
Non-current							
Loans and financings	h	5,358,450	(103,674)	5,254,776			
Debentures	h	2,599,559	103,674	2,703,233			
Income tax and Social Contribution tax	a	1,234,023	(348,863)	885,160			
Total, non-current liabilities		**13,443,452**	**(348,863)**	**13,094,589**	**367,509**		**367,509**
Total liabilities		**25,612,798**	**(348,863)**	**25,263,935**	**2,720,057**		**2,720,057**
Total liabilities and stockholders equity		**37,357,746**	**(348,863)**	**37,008,883**	**14,465,005**		**14,465,005**

Profit and loss account	Note	Published	Reclassifications	Reclassified	Published	Reclassifications	Reclassified
Revenue	b; c	**15,814,227**	**(65,511)**	**15,748,716**	**347**		**347**
Depreciation and amortization	b; c	(866,977)	(43,342)	(910,319)			
Total cost		**(9,956,824)**	**(43,342)**	**(10,000,166)**			
Gross profit		**5,857,403**	**(108,853)**	**5,748,550**	**347**		**347**
Equity gain (loss) in subsidiaries	c				2,520,216	(53,578)	2,466,638
Financial expenses	c	(2,050,786)	85,520	(1,965,266)	(167,469)	53,578	(113,891)
Pretax profit		**3,356,374**	**(23,333)**	**3,333,041**	**2,434,225**		**2,434,225**
Deferred income tax and Social Contribution tax	b	170,527	23,333	193,860			
Net profit for the year		**2,415,450**		**2,415,450**	**2,415,450**		**2,415,450**

Statement of comprehensive income	Note	Published	Reclassifications	Reclassified	Published	Reclassifications	Reclassified
Net profit for the year	h				2,415,450		2,415,450
Other comprehensive income							
Foreign exchange conversion differences on transactions outside Brazil	h				6,126	(6,126)	

Equity gain on Other comprehensive income in Subsidiary and Jointly-controlled subsidiary	h	5,300	5,300
Cash flow hedge instruments	h		